



上海昊海生物科技股份有限公司

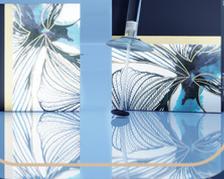
Shanghai Haohai Biological Technology Co.,Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 6826



MATRIX



2024

Annual Report





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CORPORATE INFORMATION

FIFTH SESSION OF THE BOARD OF DIRECTORS

Executive Directors:

Dr. Hou Yongtai (*Chairman*)
Mr. Wu Jianying (*General Manager*)
Ms. Chen Yiyi
Mr. Tang Minjie (*Chief Financial Officer*)

Non-executive Directors:

Ms. You Jie
Mr. Huang Ming

Independent Non-executive Directors:

Mr. Shen Hongbo
Mr. Jiang Zhihong
Mr. Su Zhi
Mr. Yang Yushe
Mr. Zhao Lei

FIFTH SESSION OF THE SUPERVISORY COMMITTEE

Mr. Liu Yuanzhong (*Chairman*)
Ms. Yang Qing
Mr. Tang Yuejun
Mr. Wei Changzheng
Ms. Song Xiao

AUTHORIZED REPRESENTATIVES

Mr. Huang Ming
Mr. Chiu Ming King

JOINT COMPANY SECRETARIES

Ms. Tian Min
Mr. Chiu Ming King (*a fellow member of the Hong Kong Chartered Governance Institute*)

AUDIT COMMITTEE

Mr. Shen Hongbo (*Chairman*)
Ms. You Jie
Mr. Jiang Zhihong
Mr. Su Zhi
Mr. Zhao Lei

REMUNERATION AND REVIEW COMMITTEE

Mr. Su Zhi (*Chairman*)
Mr. Wu Jianying
Mr. Huang Ming
Mr. Shen Hongbo
Mr. Zhao Lei

NOMINATION COMMITTEE

Mr. Zhao Lei (*Chairman*)
Dr. Hou Yongtai
Ms. You Jie
Mr. Shen Hongbo
Mr. Su Zhi

STRATEGY AND SUSTAINABLE DEVELOPMENT COMMITTEE

Ms. You Jie (*Chairlady*)
Dr. Hou Yongtai
Mr. Wu Jianying
Mr. Huang Ming
Mr. Yang Yushe

LEGAL ADVISERS

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20/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Loeb & Loeb LLP

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Central
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

CORPORATE INFORMATION

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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No. 1386 Hongqiao Road, Changning District
Shanghai, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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33 Hysan Avenue
Causeway Bay, Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

A SHARE REGISTRATION INSTITUTION

China Securities Depository and
Clearing Corporation Limited Shanghai Branch
166 Lujiazui East Road
New Pudong District
Shanghai, China

INFORMATION ON H SHARES

Place of listing: The Main Board of The Stock
Exchange of Hong Kong Limited
Stock code: 6826
Number of H
Shares issued: 39,141,840 H Shares
Nominal value: RMB1.00 per H Share
Stock short name: HAOHAI BIOTEC

INFORMATION ON A SHARES

Place of listing: Sci-tech Innovation Board of the
Shanghai Stock Exchange
Stock code: 688366
Number of A
Shares issued: 194,051,855 A Shares
Nominal value: RMB1.00 per A Share
Stock short name: HAOHAI BIOTEC

REGISTERED OFFICE

No. 5 Dongjing Road
Songjiang Industrial Zone
Shanghai, China

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Ltd.
(Xinhua Road Sub-branch, Shanghai)
No. 506 Xinhua Road
Changning District
Shanghai, China

Bank of Shanghai, Co., Ltd
(Changning Branch, Shanghai)
No. 320 Xianxia Road
Changning District
Shanghai, China

INVESTOR ENQUIRIES

Investors' Service Line: (86) 021-52293555
Website: www.3healthcare.com

FINANCIAL HIGHLIGHTS

	31 December 2024 RMB'000	31 December 2023 RMB'000	31 December 2022 RMB'000	31 December 2021 RMB'000	31 December 2020 RMB'000
Results of operation					
Revenue	2,679,667	2,634,910	2,103,438	1,750,116	1,324,427
Gross profit	1,868,788	1,853,509	1,446,923	1,259,746	990,423
Profit before tax	466,145	508,260	235,726	382,649	257,026
Net profit attributable to owners of the parent	420,447	416,121	180,470	352,234	230,072
Profitability					
Gross profit margin	69.7%	70.3%	68.8%	72.0%	74.8%
Net profit margin	15.6%	15.7%	9.0%	19.8%	17.1%
Earnings per Share (RMB)					
Basic earnings per Share ⁽¹⁾	1.80	1.75	0.75	1.45	0.94
Assets					
Total assets	7,121,392	7,105,497	6,892,399	6,950,356	6,298,705
Total liabilities	1,204,351	1,088,204	990,016	890,070	564,460
Total equity attributable to ordinary equity holders of the parent	5,575,259	5,650,064	5,514,609	5,713,461	5,490,751
Gearing ratio	16.9%	15.3%	14.4%	12.8%	9.0%

Note

- (1): Due to the Capitalization Issue implemented by the Company during the Reporting Period, the basic earnings per Share for the years 2020 to 2023 have been retrospectively adjusted.

CHAIRMAN'S STATEMENT

Dear Shareholders,

Thank you for your unremitting support and concern for Haohai. On behalf of the Board, I am pleased to present to all Shareholders the 2024 annual report of Haohai Biological.

2024 is a key year for our country to achieve the goals and tasks of the "14th Five-Year Plan." The deepening integrated reform of health insurance, medical services and pharmaceutical systems in the medical services and medical device industries, and in particular, the reform of health insurance payment method and expansion of centralized procurement of drugs and high-value consumables, have had a profound impact on the business operations of the Group.

During the Reporting Period, the Group actively responded to the changes and impacts of the internal and external environment, accelerated the building of innovative product lines, improved the quality of products and services, broadened marketing channels and increased market share, which made the Group's overall business development stable and toward a steady pickup, demonstrating resilience to the complicated economic environment. In 2024, the Group recorded a revenue of RMB2,679.67 million in total, representing an increase of RMB44.76 million, or 1.70%, as compared to the corresponding period in 2023; the Group's net profit attributable to shareholders of the Company and net profit attributable to shareholders of the Company after deducting non-recurring gains or losses were approximately RMB420.45 million and RMB379.10 million, respectively, remaining basically flat, as compared to the corresponding period in 2023.

During the Reporting Period, we stayed committed to independent innovation and continued to increase investment in research and development ("R&D"). Total R&D expenses amounted to RMB238.93 million, representing an increase of RMB18.83 million, or approximately 8.56%, as compared to the corresponding period in 2023. R&D expenses remained high at 8.92% of revenue. In 2024, the Group focused on expanding its product lines in medical aesthetics and ophthalmology. The world's first organic cross-linked HA Dermal Filler product which was independently developed, "Hyalumatrix MoonWhite (海魅月白)", was successfully approved in July 2024, and the ophthalmology sodium hyaluronate eye drop product was approved in March 2024. In addition, the hydrophobic molded toric aspheric IOL and the preloaded hydrophobic molded toric aspheric IOL products were approved in January and February 2025, respectively. At the same time, the bio-gel products for intraocular fillers, the hydrophilic aspheric multifocal IOL, and the hydrophobic molded toric trifocal IOL products of the Group entered the registration application stage, while the clinical trials of key projects such as the aqueous humor permeable Phakic Refractive Lens, medical cross-linked chitosan gel, and painless cross-linked HA Dermal Filler were successfully pushed forward. The clinical trials of high gas permeable scleral lens products and new ultra-high gas permeable (DK180) orthokeratology lenses have been officially launched in July and August 2024, respectively.

CHAIRMAN'S STATEMENT

During the Reporting Period, we adhered to our investor-oriented philosophy and constructed a “sustainable, stable and scientific” shareholder return mechanism. At the end of July 2024, the Company completed the final dividend distribution for 2023 and the capitalization of capital reserve, distributing a total of RMB166,956,729.00 as final dividend to Shareholders and capitalizing 66,782,692 Shares. At the end of October 2024, the Company completed the interim dividend distribution for 2024, distributing a total of RMB92,902,248.40 as interim dividend to Shareholders. In addition, based on confidence in its future sustainable development and recognition of its own value, the Company continued to implement a share repurchase plan to enhance investor confidence in the Company's investment. During the Reporting Period, a total of 1,418,934 A Shares were repurchased, accounting for 0.61% of the total number of Shares (i.e., 233,193,695 Shares) of the Company, with a total transaction amount of approximately RMB106.27 million; 2,492,100 H Shares were repurchased, accounting for 1.07% of the total number of Shares of the Company, and the total amount of funds utilized was approximately HK\$75.71 million. Taking into account the investors' demand for returns and the long-term development of the Company, on 21 March 2025, the Board proposed to distribute a final dividend of RMB0.60 per Share for the year 2024 to Shareholders.

During the Reporting Period, we further enhanced our ESG (environmental, social and governance) management. The Board made adjustments to the duties of the Audit Committee and the Strategy Committee. In particular, it delegated ESG-related duties previously delegated to the Audit Committee to the Strategy Committee, with further adjustments made to the duties, and changed the name of the Strategy Committee to the Strategy and Sustainable Development Committee. For details of the Group's ESG performance and results for the Reporting Period, please refer to the ESG Report for 2024, which is published on the same date as this annual report.

In 2025, the Group will maintain its focus on the existing four major business areas to consolidate and enhance its business competitiveness by capitalizing on the advantages of its existing product portfolio, integrating the Company's existing resources, expanding its sales channels, and promoting the R&D and registration of high-end products, etc. At the same time, the Company will also continue to explore opportunities within its principal business areas, identify advanced technologies and outstanding products, and selectively pursue technology introduction or investment collaborations to augment its product pipeline and promote high-quality development of the Company.

In conclusion, once more, I would like to express my sincere gratitude to every Shareholder and investor who has always been following us!

Hou Yongtai

Executive Director and Chairman of the Board

21 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Overview

2024 is a key year for our country to achieve the goals and tasks of the “14th Five-Year Plan.” The deepening integrated reform of health insurance, medical services and pharmaceutical systems in the medical services and medical device industries, and in particular, the reform of health insurance payment method and expansion of centralized procurement of drugs and high-value consumables, have had a profound impact on the business operations of the Group. During the Reporting Period, the Group actively responded to the changes and impacts of the internal and external environment, accelerated the building of innovative product lines, improved the quality of products and services, broadened marketing channels and increased market share, which made the Group’s overall business development stable and toward a steady pickup, demonstrating resilience to the complicated economic environment.

In 2024, the Group recorded a revenue of RMB2,679.67 million in total, representing an increase of RMB44.76 million, or 1.70%, as compared to the corresponding period in 2023. The breakdown of the Group’s revenue from the main business of each product line by therapeutic areas is as follows (by the amount and as a percentage of the total revenue of the Group):

Product line	2024		2023		Change
	RMB'000	%	RMB'000	%	%
Medical aesthetics and wound care products	1,189,225	44.38	1,052,801	39.95	12.96
Ophthalmology products	853,423	31.85	924,650	35.10	-7.70
Orthopedics products	454,281	16.95	474,259	18.00	-4.21
Anti-adhesion and hemostasis products	144,924	5.41	145,924	5.54	-0.69
Other products	37,814	1.41	37,276	1.41	1.44
Total	2,679,667	100.00	2,634,910	100.00	1.70

In 2024, the overall gross profit margin of the Group was 69.74%, representing a slight decrease as compared to 70.34% for the corresponding period in 2023. In particular, the operating revenue from medical aesthetics hyaluronic acid (“HA”) Dermal Filler products with high gross profit margin and its share of the Group’s revenue continued to grow, which continued to promote the upward increase in the Group’s overall gross profit margin. On the other hand, products such as ophthalmic intraocular lens (“IOL”), ophthalmic viscoelastic device and orthopedic sodium hyaluronate injection were in the implementation stage of a new round of national or provincial centralized volume-based procurement during the Reporting Period, and the sales price of the products decreased significantly, completely offsetting the sales growth contribution of HA Dermal Filler products to the overall gross profit margin growth.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group stayed committed to independent innovation and continued to increase investment in research and development (“R&D”). In 2024, R&D expenses amounted to RMB238.93 million, representing an increase of RMB18.83 million, or approximately 8.56%, as compared to the corresponding period in 2023. R&D expenses remained high at 8.92% of revenue (2023: 8.35%). The Group focused on expanding its innovative product lines in medical aesthetics and ophthalmology. The world’s first organic cross-linked HA Dermal Filler product which was independently developed by the Group, “Hyalumatrix MoonWhite (海魅月白)”, was successfully approved in July 2024, and the ophthalmology sodium hyaluronate eye drop product was approved in March 2024. In addition, the hydrophobic molded toric aspheric IOL and the preloaded hydrophobic molded toric aspheric IOL products were approved in January and February 2025, respectively. At the same time, the bio-gel products for intraocular fillers, the hydrophilic aspheric multifocal IOL, and the hydrophobic molded toric trifocal IOL products of the Group entered the registration application stage, while the clinical trials of key projects such as the aqueous humor permeable Phakic Refractive Lens (“PRL”), medical cross-linked chitosan gel, and painless cross-linked HA Dermal Filler were successfully pushed forward. The clinical trials of high gas permeable scleral lens products and new high gas permeable (DK180) orthokeratology lenses have been officially launched in July and August 2024, respectively.

During the Reporting Period, the Group’s net profit attributable to shareholders of the Company and net profit attributable to shareholders of the Company after deducting non-recurring gains or losses were approximately RMB420.45 million and RMB379.10 million, respectively, remaining basically flat, as compared to the corresponding period in 2023.

As at 31 December 2024, the total assets of the Group were RMB7,121.39 million, and the net assets of the Group attributable to shareholders of the Company were RMB5,575.26 million, remaining stable, as compared to that as at the end of 2023.

MANAGEMENT DISCUSSION AND ANALYSIS BY PRODUCT LINE

Medical Aesthetics and Wound Care Products

In the field of medical aesthetics and wound care, the Group has formed a business matrix covering four categories, namely HA Dermal Filler, genetic-engineering preparations for epidermal repair, radio frequency devices and laser equipment. Through the multi-level business arrangements, the Group was able to meet the comprehensive demand of end customers for medical aesthetics in relation to epidermis, dermis and subcutaneous tissue.

The Group’s human epidermal growth factor (“hEGF”) for external use “Healin”, developed and produced by genetic engineering technology, is the only epidermal growth factor product in China that has exactly the same quantity, sequence and spatial structure of amino acids as human natural epidermal growth factor and the first registered hEGF product for external use in the world. According to the research reports of Guangzhou Biaodian Medical Information Co., Ltd.* (“Biaodian Medical”), the market share of “Healin” products in 2023 was 26.91% (2022: 27.01%), continuing to be ranked second in the domestic market share.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's HA Dermal Filler product portfolio has been widely recognized in the market and has become a leading brand of domestic HA Dermal Filler products for injection. The Group has independently developed and mastered the cross-linking processes such as monophasic cross-linking, low-temperature secondary cross-linking, linear non-particle crosslinking, and organic cross-linking. The Group's first-generation HA Dermal Filler "Matrifill" is the first mono-phase sodium hyaluronate gel for injection approved by the NMPA in the PRC. It is mainly positioned as a popular entry-level HA. The Group's second-generation HA Dermal Filler "Janlane" is mainly positioned at the mid-to-high end, and mainly features the dynamic filling function. In addition, on top of the original indication for nasolabial fold injections, "Janlane" has also expanded its indications to include lip augmentation, further expanding its clinical application scenarios. The third-generation HA Dermal Filler "Hyalumatrix" has the linear non-particle feature and is positioned for high-end consumers by providing the "precise embellishment" function. The fourth-generation HA Dermal Filler product "Hyalumatrix MoonWhite", which was approved in July 2024, has better long-term safety, longer-lasting characteristics and stimulation of collagen hyperplasia. "Hyalumatrix MoonWhite" continued the brand DNA of "Hyalumatrix" series, and together with "Hyalumatrix" and "Hyalumatrix YUN", will form the Group's high-end HA Dermal Filler product series.

During the Reporting Period, the revenue of the Group from medical aesthetics and wound care products was RMB1,189.22 million, representing an increase of RMB136.42 million, or approximately 12.96%, as compared to the corresponding period in 2023. The breakdown of the revenue from products by specific products is as follows:

Item	2024		2023		Change
	RMB'000	%	RMB'000	%	%
HA Dermal Filler	737,860	62.05	599,412	56.94	23.10
hEGF for external use	188,371	15.84	170,371	16.18	10.57
Radio frequency devices and laser equipment	262,994	22.11	283,018	26.88	-7.08
Total	1,189,225	100.00	1,052,801	100.00	12.96

In recent years, as China's per capita disposable income continues to rise, consumers of different ages and genders are becoming increasingly aware of the pursuit of beauty, health and self-confidence. The demand for medical aesthetics in the PRC is strong and diverse, and the supply is becoming increasingly abundant due to the iterative innovation of products and technologies as well as expansion of the indications of the existing products. The demand and the supply are driving the robust development of the medical aesthetics industry in the PRC. Regulators have launched compliance measures for the medical aesthetic market, which have also continued to strengthen the long-term healthy development of the industry.

Data shows that China's medical aesthetics market size grew from RMB99.3 billion to RMB189.2 billion from 2017 to 2021, at a CAGR of 17.5%. China has become the world's second-largest medical aesthetics market. Compared with other countries with a well-developed medical aesthetic industry, the number of medical aesthetic treatments per 1,000 people in China is only 1/3 of that in Brazil and the USA, and only 1/4 of that in South Korea. The low penetration rate of China's medical aesthetic market will continue to increase in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS

According to “China Medical Aesthetic Industry Outlook 2024” jointly published by Chinese Association of Plastics and Aesthetics, Allergan Aesthetics China and Deloitte Consulting, China’s medical aesthetics market size is expected to continue to grow by approximately 10% in 2024 from the demand side, and the growth rate in the next four years is expected to maintain at approximately 10-15% with a promising development future. Among the many medical aesthetic projects, non-surgical projects have a high degree of consumer acceptance due to the characteristics of minimal invasiveness, quick results, short recovery period, high cost-effectiveness, etc., and have occupied 52% of China’s medical aesthetic market share (calculated by consumption amount), of which the proportion of injectable and energy-source projects each accounted for 45%, respectively, and the CAGR in the next five years is expected to reach 20-30% and 15-20%, respectively. In addition, 2024 performance growth of medical aesthetic institutions is mainly due to skin and non-invasive medical aesthetic business growth, and medical aesthetic institutions are generally optimistic on the continued growth of filling/shaping injection projects (HA Dermal Filler), wrinkle removal/anti-aging photoelectric projects and botulinum toxin products in the next 2-3 years.

Leveraging on its competitive R&D efforts in biomedical materials, manufacturing and marketing platforms and comprehensive strengths in the technology and quality control of products, the Group’s products, based on their characteristics and efficacy, have established differentiated positioning and supplementary development. Meanwhile, the Group’s marketing team provides multi-dimensional and all-round services to medical institutions, doctors and consumers, conducts client-side education through online channels and builds personal brand (IP) for doctors, continuously launches rich comprehensive offline solutions for facial rejuvenation through a diversified product matrix, thus leading the trend of combined application to multiple scenarios of HA Dermal Filler in the non-invasive medical aesthetic market in the PRC, and continuously strengthens the stickiness among brands, institutions and consumers to drive the growth of sales revenue.

In 2024, the Group’s HA Dermal Filler products recorded sales revenue of RMB737.86 million, representing an increase of RMB138.45 million, or 23.10%, as compared to the corresponding period in 2023. The third generation HA Dermal Filler “Hyalumatrix” produced by the Group won the market’s recognition for its high-end HA Dermal Filler due to its non-particle and high cohesion features, making it less susceptible to deformation and displacement after injection, and giving it a more natural and longer-lasting effect. The high-end positioning of this product’s HA Dermal Filler has been recognized by the market. During the Reporting Period, the product’s sales volume continued to increase rapidly, which contributed to the revenue of HA Dermal Filler product line of the Group. At the same time, the fourth-generation HA Dermal Filler product “Hyalumatrix MoonWhite”, which was successfully launched for sales at the end of 2024, also started to contribute to incremental revenue growth. Through the high-end “Hyalumatrix” series products, i.e. “Hyalumatrix”, “Hyalumatrix YUN” and “Hyalumatrix MoonWhite”, the Group solidified its leading academic position in the industry, enhanced the customer stickiness to HA Dermal Filler products of the Group and drove the overall upward trend of the HA Dermal Filler product portfolio. Concurrently as the revenue of “Hyalumatrix” series products increased rapidly, the revenue of first-generation and second-generation HA Dermal Filler products also achieved substantial growth.

During the Reporting Period, the revenue of the Group from hEGF products was RMB188.37 million, representing an increase of RMB18.00 million or 10.57%, as compared to the corresponding period in 2023. In recent years, the Group strengthened the academic promotion of this product, the awareness of product efficacy has been continuously strengthened, and the application of the product has been gradually extended from traditional departments such as burns and dermatology to pediatrics, oncology, stomatology, general surgery, obstetrics and gynecology, endocrinology, gastroenterology and other departments.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the revenue of the Group from the radio frequency (“RF”) and laser equipment product line was RMB262.99 million, representing a decrease of RMB20.02 million, or 7.08%, as compared to the corresponding period in 2023, which was mainly generated by Juva Medical, a subsidiary of the Company. EndyMed Ltd. (“EndyMed”), a subsidiary of Juva Medical in Israel, focuses on RF beauty equipment, and Laserconn, a subsidiary of Juva Medical, focuses on laser beauty equipment, with its presence covering domestic and overseas markets.

In March 2022, the NMPA issued the “Announcement on Adjusting Parts of the “Medical Device Classification Catalog” (No. 30, 2022), which upgraded the regulatory category of RF therapeutic device products from Class II to Class III medical devices, and since 1 April 2024, RF therapeutic device and RF skin therapeutic device products which fail to obtain the corresponding registration certificate for the medical device in accordance with the law shall not be manufactured, imported or sold. After the issue of the policy, the sales and promotion of household and cosmetic grade products of the Group’s RF equipment product line in China’s market were materially affected, resulting in a significant decrease in revenue from such product line from 2023. In July 2024, the NMPA subsequently issued the “Announcement on Further Clarifying the Relevant Requirements for Radio Frequency Therapeutic Device” (No. 84, 2024), which extended the period for obtaining the Class III registration certificate for RF therapeutic device and RF skin therapeutic device products from the deadline stated in the above-mentioned “No. 30, 2022” announcement to 1 April 2026. The Group is taking advantage of the valuable time window after the extension by “No. 84, 2024” announcement to accelerate the registration and application of Class III registration certificate of medical devices for the household and cosmetic grade products of “EndyMed Pure”. At the same time, the Group’s medical grade RF equipment product “EndyMed Pro” is one of the few RF products in China that has obtained the registration certificate for Class III medical devices, which is scarce in the domestic market. During the Reporting Period, revenue from “EndyMed Pro” high-frequency skin treatment device and Intensif treatment needle achieved significant growth, partially offsetting the negative impact of decrease in revenue from household and cosmetic grade product line.

Ophthalmology products

Focusing on the leading technologies in the global ophthalmology field, the Group is committed to expediting the localization of China’s ophthalmology industry through independent R&D and investment integration, with the goal of becoming an internationally renowned manufacturer of comprehensive ophthalmology products. During the Reporting Period, the Group’s ophthalmology business covered the therapeutic fields including cataract treatment, myopia prevention and control, refractive correction, and ocular surface, and has owned a number of products under development in the field of fundus disease treatment.

The Group is the largest ophthalmic viscoelastic device (“OVD”) product manufacturer in the PRC. According to the research reports of Biaodian Medical, the market share of the Group’s OVD products increased from 44.52% in 2022 to 46.98% in 2023, ranking first in China for the past 17 consecutive years. Meanwhile, the Group is a major supplier in the domestic IOL market. In addition, Contamac, a subsidiary of the Company, is one of the world’s largest independent manufacturers of ophthalmology and optometry materials, such as providing materials for IOL and Orthokeratology Lens to customers in more than 70 countries worldwide.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group's revenue from the sales of ophthalmology products was RMB853.42 million, representing a decrease of RMB71.23 million, or 7.70%, as compared to the corresponding period in 2023. The breakdown of revenue from ophthalmology products by specific products is as follows:

Item	2024		2023		Change
	RMB'000	%	RMB'000	%	
Cataract product line	418,656	49.05	494,972	53.53	-15.42
IOL products	326,370	38.24	380,164	41.11	-14.15
OVD products	92,286	10.81	114,808	12.42	-19.62
Myopia prevention and control, and refractive correction product line	400,257	46.90	399,452	43.20	0.20
Ophthalmology and optometry materials	203,652	23.86	208,067	22.50	-2.12
Ophthalmology and optometry end products	196,605	23.04	191,385	20.70	2.73
Other ophthalmology products	34,510	4.05	30,226	3.27	14.17
Total	853,423	100.00	924,650	100.00	-7.70

IOL and OVD products are mainly used for cataract surgery. During the Reporting Period, the revenue of the Group from the cataract product line amounted to RMB418.66 million, representing a decrease of RMB76.32 million or 15.42% as compared to the corresponding period in 2023. Specifically, the revenue from IOL products was RMB326.37 million, representing a decrease of RMB53.79 million or 14.15% as compared to the corresponding period in 2023. The revenue of OVD products was RMB92.29 million, representing a decrease of RMB22.52 million or approximately 19.62% as compared to the corresponding period in 2023.

On 30 November 2023, the National Organisation Joint Procurement Office for High-Value Medical Consumables (國家組織高值醫用耗材聯合採購辦公室) issued the "Announcement of the Preliminary Selected Results for the Centralized Volume-Based Procurement of Intraocular Lens and Sports Medicine Medical Consumables (《國家組織人工晶體類及運動醫學類醫用耗材集中帶量採購擬中選結果公示》)" and the Group's 5 IOL products brands and 4 OVD products brands were all selected. The selection results were gradually implemented in 2024. The Group's elected IOL products achieved a certain increase in sales volume, especially with regards to the sales volume of mid-end preinstalled aspherical products and high-end regionally refractive bifocal IOL products which have increased by 137% and 40%, respectively, as compared to the corresponding period in 2023. However, due to the significant decrease in the selected prices of centralized volume-based procurement, the sales revenue of the Group's IOL products during the Reporting Period still showed a year-on-year decrease.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the revenue of the Group from the myopia prevention and control, and refractive correction product line amounted to RMB400.26 million, representing an increase of RMB0.81 million as compared to the corresponding period in 2023. The revenue from the ophthalmology and optometry materials business in the upstream part of the supply chain was RMB203.65 million during the Reporting Period, representing a slight decrease of RMB4.42 million as compared to the corresponding period in 2023. The revenue of the Group from the ophthalmology and optometry end products amounted to RMB196.61 million, representing an increase of RMB5.22 million as compared to the corresponding period in 2023. Ophthalmology and optometry end products cover Orthokeratology Lenses and eye drops used in conjunction, specialty frame glasses, “Yijing” PRL and other products. During the Reporting Period, the sales revenue from Orthokeratology Lens products recorded a slight increase as compared to the corresponding period in 2023. Since the second half of 2023, the domestic consumption market has experienced fatigue, which has also affected the consumption of overall orthokeratology lens category. At the same time, the approval of a number of new orthokeratology lenses in recent years has intensified the internal competition within such category, and the addition of new categories such as functional frame glasses has also created a certain diversion effect on orthokeratology lenses customers. In this environment, during the Reporting Period, “Hiline” Orthokeratology Lens products, as a matured product launched in 2011, was significantly impacted, and its revenue decreased in stages. Meanwhile, the revenue of prescription lens of “Maierkang myOK” and “Optoshare” (童亨) Orthokeratology Lens products, which rely on higher gas permeable materials and more advanced design concepts, increased by 31.45% and 234.42%, respectively, as compared to the corresponding period in 2023, thereby offsetting the impact from the decrease in sales volume of earlier products. In addition, during the Reporting Period, the revenue of the Group from eye drops product line increased by RMB5.03 million or approximately 30.20%, mainly attributable to the further improvement in brand awareness and market reputation of eye drops product “Eyesucom”, as well as the steady increase in sales volume of the new product, Moxifloxacin eye drops.

The Group’s other ophthalmology products mainly include injectors, scalpels, suture needles and other products used in various ophthalmic operations. During the Reporting Period, other ophthalmology products recorded a revenue of RMB34.51 million, representing an increase of RMB4.28 million or 14.17% as compared to the corresponding period in 2023, mainly attributable to the increase in sales volume of IOL injector product.

Cataract is the biggest cause of blindness in the PRC. The only effective treatment for cataract is IOL implantation through surgery. In terms of industrial chain construction, the Group currently has initially completed the layout of the entire industrial chain of IOL products. We have opened up the upstream raw material production link of the IOL industrial chain through our subsidiary Contamac, mastered the R&D and production process of hydrophilic and hydrophobic IOL products through our subsidiaries Aaren, Henan Universe, and Henan Simedice and strengthened the downstream sales channels of IOL products through the professional ophthalmology high-value consumables marketing platform of NIMO at the same time. In terms of the layout of product lines, leveraging on its domestic and foreign brands, the Group has covered a full range of products from ordinary spherical monofocal IOL to multifocal IOL. In addition, the Group created synergy among the ophthalmology R&D innovation platforms in the PRC, the USA and the U.K. to promote the R&D activities for high-end multifocal and Extended-depth-of-focus (“EDOF”) IOL products. The Group adopts the one-time injection molding process that is different from the traditional turning and milling process, thus achieving a comprehensive layout of high-end IOL materials, complex optical features, and innovative processing technology. Among them:

- (1) the hydrophobic molded toric aspheric IOL and the preinstalled hydrophobic molded toric aspheric IOL products obtained the registration certificate for Class III medical devices approved by the NMPA in January and February 2025, respectively;

MANAGEMENT DISCUSSION AND ANALYSIS

- (2) the hydrophilic aspheric multifocal IOL has completed the clinical trials, and entered the registration application stage in January 2025;
- (3) innovative hydrophobic molded aspheric trifocal IOL has completed the clinical trials, and entered the registration application stage in February 2025. In addition, the project has passed the evaluation by the Center for Medical Device Evaluation of the NMPA and entered the special review “green channel” of innovative medical devices; and
- (4) the hydrophilic EDOF IOL and the hydrophobic molded EDOF IOL entered the clinical trial stage in July 2024.

China is one of the countries with the largest number of blind and visually impaired patients in the world, with cataracts accounting for 32.5% and refractive errors accounting for 44.2% of visual impairment factors, while the prevalence of ophthalmic diseases in the highly myopic population is much higher than that in the normal-vision population. In 2019, the number of myopia patients worldwide was approximately 1.4 billion, among which, the number of myopia patients in China exceeded 600 million, and as a result the capacity of China’s myopia prevention and control and refractive correction market is considerable while the penetration rate is low.

In the field of myopia prevention, control and refractive correction management, developed using the self-developed optical design system, based on the world’s leading high oxygen permeability material of Contamac, the self-developed “Optoshare” (童享) series of new Orthokeratology Lens products was approved and registered in China in December 2022, with an oxygen permeability coefficient of 125 DK. At the same time, the Group’s “TongLiang” (童靓) series Orthokeratology Lens product made of the same materials obtained the registration certificate for Class III medical devices approved by the NMPA in August 2024. In 2024, the Group started clinical trials for another new type of ultra-high oxygen permeable Orthokeratology Lens product, which is made of high oxygen permeable material “Contamac Infinite” with a DK coefficient of up to 180, which will become one of the Orthokeratology Lens products with the highest oxygen permeability in the world. In addition, the Group has entered into deep cooperation with Brighten Optix Co., Ltd.* (“Brighten Optix”). Through our subsidiaries Shanghai Brighten Vision and Brighten Optix, we have the right to exclusively distribute “Maierkang myOK”, a high-end Orthokeratology Lens product, “Hiline”, an Orthokeratology Lens product, “Bestivue”, a peripheral defocus lens, and rigid gas permeable contact lens of Brighten Optix in China. Through the above layout, the Group will have a differentiated product matrix of Orthokeratology Lens products, which enables more flexible and precise launching of different products to the target market according to market demand and consumption characteristics to meet the needs of various consumers.

In the terminal product line for use with Orthokeratology Lens and other products. the Group’s self-developed eye drops product “Eyesucom” is made of exclusively patented ingredients including medical chitosan and sodium hyaluronate and is packaged in an aseptic packaging method without preservatives. The product has the functions of natural antibacterial, moisturizing and lubricating, promoting the repair of corneal epithelial damage and reducing staining, etc. It can comprehensively protect the eye surface health of the wearers of Orthokeratology Lens. Moxifloxacin hydrochloride eye drops used in the treatment of bacterial conjunctivitis belong to the fourth-generation fluoroquinolones and is one of the mainstream drugs used in the treatment of bacterial conjunctivitis. In addition, the sodium hyaluronate eye drops developed by the Group were approved by the NMPA in March 2024. This product can be used for the treatment and relief of endogenous diseases such as dry eye syndrome, as well as conjunctival epithelial damage caused from operations, drugs-induced, trauma, wearing of contact lenses and other exogenous diseases.

MANAGEMENT DISCUSSION AND ANALYSIS

In the field of refractive correction, our subsidiary Hangzhou Aijinglun is mainly engaged in the R&D, production and sales of crystalline refractive lenses, and has independent intellectual property rights of its own developed “Yijing” PRL product, which has a refractive correction range of -10.00D~-30.00D and has been approved by the NMPA. Refractive lens surgery with crystalline lens can correct myopia without cutting normal corneal tissues and has the advantages of preserving the adjustment function of the human lens and surgical reversibility, so it is a safe and effective method to correct myopia. Currently, there are only three such products approved for sale in the Chinese market, and “Yijing” PRL is the only choice for patients with severe myopia above 1,800 degrees. In addition, the Group began the process of upgrading its PRL products after the acquisition of Hangzhou Aijinglun, with the second generation of the aqueous humor permeable product conducting clinical trials, which, compared with the first generation, will enable aqueous humor circulation and provide a wider range of vision correction. All clinical observation on subjects is to be completed gradually, and registration is expected to be initiated in 2025.

In March 2024, our subsidiary Shanghai Haohai Medical Technology Development Co., Ltd. signed the “Share Purchase Agreement” with the shareholders of Shanghai Shenhao Eyehealth Technology Development Co., Ltd (“Shenhao Eyehealth”), for a consideration of RMB36.2885 million. By the transfer of the original shareholder equity and through capital increase, we were able to obtain 51% equity interests in Shenhao Eyehealth, and completed the above equity acquisition in June 2024. Shenhao Eyehealth is an exclusive distributor of rigid gas permeable scleral contact lens (“CS Scleral Lenses”) produced by US Company Valley Contax, Inc. in China (including Hong Kong and Macau Special Administrative Regions). CS Scleral Lenses are one of the few such products certified by the US FDA. It has achieved a leading market position in the US market and has accumulated a lot of clinical application experience. In October 2023, the product obtained the Class III medical device registration certificate approved by the NMPA. Scleral lens is a type of large-diameter rigid breathable contact lens, which can cover the cornea and create a reservoir of tears between the lens and the eye surface, which is especially suitable for the treatment of visual problems caused by irregular corneal shape. For example, patients with keratoconus, dry eye, and visual problems after refractive surgery are all suited for this product. Its visual correction effect is better than conventional lenses such as frame glasses. For severe ocular surface diseases, it can provide a protective effect on the tissues. Also, the comfort of wearing these lenses is better than traditional rigid breathable contact lenses. As the incidence rate for the aforementioned diseases continues to rise, the market demand for clinical scleral lenses will also pick up. Upon completion of the investment, the Group’s myopia and refractive correction product line was further expanded.

Through the above product layout, the Group has been able to provide a variety of myopia solutions from prevention and control to correction for all age groups.

Orthopedics Products

In the field of orthopedics, the Group is the largest domestic manufacturer of orthopedic intraarticular viscoelastic supplements. According to the research reports of Biaodian Medical, the Group has been ranked the largest manufacturer of orthopedic intra-articular viscoelastic supplements in the PRC for ten consecutive years, with a market share significantly increasing from 46.54% in 2022 to 50.44% in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the revenue of the Group from orthopedics products was RMB454.28 million in total. The breakdown of the revenue from the orthopedics products by specific products is as follows:

Item	2024		2023		Change
	RMB'000	%	RMB'000	%	
Sodium hyaluronate injection	290,030	63.84	312,660	65.93	-7.24
Medical chitosan used for intra-articular viscosupplement	164,251	36.16	161,599	34.07	1.64
Total	454,281	100.00	474,259	100.00	-4.21

Orthopedic intra-articular viscoelastic supplements are mainly used in degenerative osteoarthritis. Degenerative osteoarthritis is also a common disease in the senior population. According to statistics, the incidence of osteoarthritis in men over the age of 65 is 58%, and that in women is 65% to 67%; the incidence of people over the age of 75 is as high as 80%. At present, there are more than 100 million osteoarthritis patients in China. The Group is the only manufacturer having sodium hyaluronate injection products with full series of specifications of 2mL, 2.5mL and 3mL in the PRC market. The Group's medical chitosan product (for intra-articular viscosupplement) is the only intra-articular viscoelastic supplement registered as a Class III medical device in the PRC. Such product combined with the sodium hyaluronate injection product has formed unique therapeutic effects and synergic advantages. With a good pricing system, the product portfolio continued to expand its market share.

During the Reporting Period, sodium hyaluronate injection products entered the implementation stage in the provincial centralized volume-based procurement in Zhejiang Province and other regions, resulting in a decrease in product sales prices. The Group stabilized the sales volume of such product by actively completing the agreed supply volume and expanding sales channels. Meanwhile, the Group also actively expanded the contract manufacturing business of sodium hyaluronate injection products, which effectively utilized the existing capacity and further helped the steady development of this product line.

MANAGEMENT DISCUSSION AND ANALYSIS

Anti-adhesion and Hemostasis Products

According to the research report of Biaodian Medical, the Group was the largest supplier of anti-adhesion materials in China, with the share of the anti-adhesion materials market reaching 28.82% in 2023. During the Reporting Period, the Group's anti-adhesion and hemostasis products recorded revenue of RMB144.92 million, representing a decrease of RMB1.00 million, or 0.69%, as compared to the corresponding period in 2023. Among them, revenue from the anti-adhesion material medical chitosan and medical sodium hyaluronate gel products decreased by 4.87% and 4.45%, respectively, as compared to the corresponding period in 2023, which was mainly influenced by policy factors such as cost and volume control of high-value consumables. Collagen sponge product, a new hemostasis material, recorded a revenue of RMB26.70 million in 2024, representing an increase of 21.98% as compared to the corresponding period in 2023, which was mainly due to the fact that the product was successfully selected as the first rank in the centralized volume-based procurement under the "3+N" League of Hebei Province, together with Anhui Province, Guangxi Province, Yunnan Province and other regions. The implementation of such procurement has successfully driven the increase in sales volume and revenue of collagen sponge products. The breakdown of the revenue from the anti-adhesion and hemostasis products by specific products is as follows:

Item	2024		2023		Change %
	RMB'000	%	RMB'000	%	
Medical chitosan used for anti-adhesion	64,717	44.66	68,033	46.62	-4.87
Medical sodium hyaluronate gel	53,511	36.92	56,006	38.38	-4.45
Collagen sponge	26,696	18.42	21,885	15.00	21.98
Total	144,924	100.00	145,924	100.00	-0.69

MANAGEMENT DISCUSSION AND ANALYSIS

DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT

Development Strategy

The Group always aims to continuously improve the health quality of Chinese people and promote the rehabilitation of patients and takes differentiated development as its corporate strategy. The Group will continue to focus on four fast-growing therapeutic areas, including medical aesthetics and wound care, ophthalmology, orthopedics and surgery. The Group will pay attention to scientific research innovation and achievement transformation, and strengthen professional services; continue to maintain its leading position in technology through cooperation with domestic and foreign well-known R&D institutions, independent R&D and technology introduction; continuously optimize and improve management capabilities and improve operational efficiency; continuously expand and improve product lines and integrate the industrial chain through the combination of endogenous growth and mergers and acquisitions; strengthen the Company's brand building and enhance brand value, making the Group a leading domestic and internationally renowned biomedical company in the field of biomedical materials.

Business Plan

In 2025, the Group will continue to deeply promote the deployment of internal resources, and further strengthen the integration of merged and acquired enterprises in all aspects of R&D, production, sales and services, enabling merged and acquired enterprises to quickly integrate into the Group's management system. This aims to maximize synergy, improve operational efficiency, develop innovative technologies, and expand market space, while continuing to enhance core competitiveness.

In the field of medical aesthetics and wound care, in 2025, the Group will take advantage of the efficacy and price positioning of the "Matrifill", "Janlane", "Hyalumatrix" and "Hyalumatrix MoonWhite" series of four generation HA Dermal Filler products to continue to focus on building the brand image of "Hyalumatrix" high-end HA Dermal Filler products, strengthen the market promotion of the new indications of lip filler product "Janlane Lips" under "Janlane" HA Dermal Filler products, assist downstream medical and aesthetic institutions to develop unique injection solutions for the indications, further expand the market penetration, improve the overall market share of the Group's HA Dermal Filler series products and strengthen the leading position of the Group's domestic HA Dermal Filler brand for injection through the extensive online and offline sales network. Meanwhile, the Group will continue to take forward the clinical trials of important R&D projects such as painless cross-linked HA Dermal Filler products etc. In addition, the Group will accelerate the integration of the advantageous resources of Juva Medical to capitalize on the high degree of synergy between the Group and Juva Medical in terms of technology R&D, product layout and marketing. In 2025, the Group will focus on the promotion of EndyMed Microneedling (EndyMed 3Deep phased RF skin therapeutic platform), which has become a popular choice for anti-aging and skin repairing because of its advanced technology, significant effect, good safety profile and comfort. The Group will provide customers with comprehensive assistance through training, marketing, we-media and other measures, to facilitate the rapid increase in sales volume of the product. Under the new industry compliance trend, the Group will continue to adhere to standardized and professional development, take advantage of the combined use of the EndyMed RF skin beauty device and the Group's sodium hyaluronate gel products to achieve the superimposed sales effect of 1+1>2.

MANAGEMENT DISCUSSION AND ANALYSIS

In the field of ophthalmology, the Group will continue to adhere to the development strategy of quality improvement and innovation orientation, proactively advance the R&D activities and registration of its high-end products, and promote the improvement and upgrade of its product portfolio. Including the hydrophobic molded toric aspheric IOL which was approved in January 2025, the Group expects that a number of high-end products will be approved in 2025, such as the hydrophilic aspheric multifocal IOL and the hydrophobic molded aspheric trifocal IOL, which will form a robust product portfolio together with its existing products and realize the overall upgrade and improvement of IOL product line. In addition, we will continue to promote clinical trials of important R&D projects such as the second generation of the aqueous humor permeable PRL, new ultra-high oxygen permeable Orthokeratology Lens and ERV IOL. In the field of marketing, the Group will pay close attention to changes in industry policies and environment, especially the subsequent implementation dynamics of the national centralized volume-based procurement of IOL. The Group will leverage on its multiple-brand and full-product line advantage, channel advantage and cost advantage to adjust supply chain and sales strategies in a timely manner and actively respond to the new marketing landscape in the post volume-based procurement era. In the field of myopia prevention and control, the Group will continue to explore the integrated marketing and brand operation of products such as “Maierkang myOK”, “Hiline”, “Optoshare” (童享) and “TongLiang” (童靓) and accelerate the market penetration of the Group’s Orthokeratology Lens product line based on the changes of consumers market, so as to consolidate the market share of the existing brand “Hiline” and increase the market shares of new brands “Maierkang myOK”, “Optoshare” (童享) and “TongLiang” (童靓). In the field of ocular fundus disease treatment, the Group will actively promote the registration and application of innovative bio-gel products for intraocular fillers.

In 2025, the Group will continue to use its own funds effectively, explore the fast-growing therapeutic areas such as medical aesthetics, ophthalmology, orthopedics and surgery, actively seek advanced technologies and excellent products and take the opportunity to introduce technologies or invest in cooperation, so as to increase the product reserve and ensure the long-term sustainable development of the Group.

FINANCIAL REVIEW

Revenue, Cost and Gross Profit Margin

During the Reporting Period, the Group recorded an aggregate revenue of approximately RMB2,679.67 million (2023: approximately RMB2,634.91 million), representing an increase of approximately RMB44.76 million or 1.70% as compared with 2023. In 2024, the Group actively responded to the changes and impacts of the internal and external environment, accelerated the building of innovative product lines, improved the quality of products and services, broadened marketing channels and increased market share, which made the Group’s overall business development stable and toward a steady pickup, demonstrating resilience to the complicated economic environment. During the Reporting Period, the Group’s HA Dermal Filler products remained positive sales trend, resulting in the sustainable increase of the revenue, and driving the Group’s revenue of medical aesthetics and wound care products lines to increase by approximately RMB136.42 million, or 12.96%, as compared with 2023. However, with the gradual implementation of the new round of centralized volume-based procurement policy for IOL, OVD and orthopedic sodium hyaluronate injection products, during the Reporting Period, the unit price of the Group’s intraocular lens, OVD and orthopedic sodium hyaluronate injection products decreased significantly, which contributed to the decrease in the overall revenue of ophthalmic and orthopedic product lines by approximately RMB91.21 million, or 6.52%, as compared with that of 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the overall gross profit margin of the Group was 69.74%, representing a slight decrease of 0.60 percentage point as compared with 70.34% in 2023. On the one hand, the increase in operating revenue from HA Dermal Filler products with a higher gross profit margin continued to promote the upward increase in the Group's overall gross profit margin. On the other hand, the sales price of products such as IOL, OVD and orthopedic medical sodium hyaluronate injections decreased significantly, completely offsetting the sales growth contribution of HA Dermal Filler products to the overall gross profit margin growth.

Other Income and Gains

During the Reporting Period, the Group's other income and gains were approximately RMB149.76 million, representing an increase of approximately RMB15.47 million or 11.52% from approximately RMB134.29 million for 2023, primarily due to the fact that the Group recognized a performance compensation amount receivable from minority shareholders of NIMO, a subsidiary of the Company, of approximately RMB26.46 million during the Reporting Period. Meanwhile, with the continuous downward shift of deposit interest rates during the Reporting Period and the decrease in the size of the Group's bank deposits, interest income decreased by approximately RMB3.77 million. In addition, the Group generated a one-off income of approximately RMB2.94 million from commissioned research services and a gain of approximately RMB1.20 million from compensation payment for equity transfer in 2023, which were not available during the Reporting Period.

R&D Expenses

During the Reporting Period, the R&D expenses of the Group were approximately RMB238.93 million, representing an increase of approximately RMB18.83 million or 8.56% from approximately RMB220.10 million for 2023, primarily due to the continuous increase of R&D investments and the expansion of innovative product lines of ophthalmology and medical aesthetics made by the Group and the fact that a number of products were in the process of registration or on-going clinical trials during the Reporting Period, resulting in an increase in investments in R&D materials and clinical trial fees. During the Reporting Period, the Group's R&D expenses accounted for 8.92% of its revenue (2023: 8.35%), which remained at a relatively high level.

Other Expenses

During the Reporting Period, the Group's other expenses amounted to approximately RMB70.80 million, representing an increase of approximately RMB53.08 million or 299.55% from approximately RMB17.72 million for 2023. In particular, the Group's provision of inventory loss allowance increased by approximately RMB25.50 million during the Reporting Period as compared with 2023. In addition, the Group made provisions of approximately RMB27.60 million for certain litigations.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

During the Reporting Period, the Group's finance costs were approximately RMB18.06 million, representing an increase of approximately RMB10.76 million or 147.40% from approximately RMB7.30 million for 2023, which was mainly attributable to the increase in interest expenses due to the increase in the Group's new bank borrowings for the purpose of its operation.

Results of the Year

During the Reporting Period, the profit attributable to ordinary equity holders of the Company was approximately RMB420.45 million (2023: RMB416.12 million), representing an increase of approximately RMB4.33 million or approximately 1.04% as compared with 2023, primarily due to the increase in net profit resulting from the increase in operating revenue.

Basic earnings per share during the Reporting Period amounted to RMB1.80 (2023: RMB1.75). During the Reporting Period, the Company approved and implemented the proposal to complete the transfer of reserve into share capital, and adjusted the weighted average number of shares for the purpose of basic earnings per share calculation retrospectively.

Liquidity and Capital Resources

As at 31 December 2024, the total current assets of the Group were approximately RMB3,658.27 million, representing a decrease of approximately RMB91.87 million or 2.45% as compared with that as at 31 December 2023. In particular, cash and bank balances at the end of the Reporting Period decreased by approximately RMB110.69 million as compared with that as at 31 December 2023, which was mainly due to the continuous capital expenditure investment by the Group in the International Medical R&D and Industrialization Project by Shanghai Haohai Biological Technology (i.e. the fund raising project for the Company's initial public offering of A shares for listing on the Sci-Tech Innovation Board, hereinafter refer to as "Project 208").

As at 31 December 2024, the total current liabilities of the Group were approximately RMB865.89 million, representing an increase of approximately RMB149.94 million or 20.94% as compared with that as at 31 December 2023. The increase was mainly because the Group raised more bank borrowings according to its operational needs, among which, the balance of current portion of bank and other borrowings increased by approximately RMB89.05 million as compared with the end of 2023. In addition, during the Reporting Period, the Company received asset-related government grants of approximately RMB37.56 million in relation to Project 208, which had not yet been completed and accepted and therefore the Company accounted for the amount received as other payables, resulting in further increase in the balance of current liabilities at the end of 2024.

As at 31 December 2024, the Group's current assets to liabilities ratio was approximately 4.22 (31 December 2023: 5.24), representing a slight decrease as compared with that as at the year end of 2023, but it was still at a relatively high and stable level.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and Remuneration Policy

The Group had 2,156 employees as at 31 December 2024. The breakdown of the total number of employees by function was as follows:

Production	887
R&D	350
Sales and Marketing	633
Finance	75
Administration	<u>211</u>
Total	<u><u>2,156</u></u>

During the Reporting Period, the remuneration policy for the Group's employees had no material change, and the employees' remuneration is based on their working experience, daily performance, the operation situation of the Company and external market competition. During the Reporting Period, the total remuneration of the Group's employees amounted to approximately RMB692.94 million, representing an increase of approximately RMB62.86 million as compared to that of 2023, primarily due to the expansion of the Group's medical aesthetics business, the increase in the number of related employees and the increase in sales bonuses for the medical aesthetics product line.

To further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the core management personnel, core technical or operational personnel and fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, align the interests of the Shareholders, the Company and the core staff members and bring their attention to the long-term development of the Company and ensure the achievement of the Company's development strategy and business goals, the Company has implemented the 2021 A Share Restricted Stock Incentive Scheme.

The Group provides various targeted training programs to its employees regularly. During the Reporting Period, there was no material change in the Group's training programs.

MANAGEMENT DISCUSSION AND ANALYSIS

Treasury Policies

The Group adopts centralized financing and treasury policies designed to strengthen the control on bank deposits and to ensure the secured and efficient use of the Group's capital. Surplus cash of the Group is generally placed in short-term deposits denominated in RMB, US Dollars and Hong Kong Dollars. It is the Group's policy to enter into principal guaranteed and conservative deposits transactions only and the Group is restricted from investing in high-risk financial products.

Asset Pledge

As at 31 December 2024, the Group had bank deposits of approximately RMB0.90 million (31 December 2023: approximately RMB0.68 million) as guarantee deposits for the issuance of performance guarantee.

Gearing Ratio

As at 31 December 2024, the total liabilities of the Group amounted to approximately RMB1,204.35 million and the gearing ratio (the percentage of total liabilities to total assets) was 16.91%, representing an increase of 1.60 percentage points from 15.31% as at 31 December 2023, which was mainly due to the increase in bank borrowings of the Group during the Reporting Period and the increase in the balance of other payables at the end of the Reporting Period.

Cash and Cash Equivalents

As at 31 December 2024, the Group had cash and cash equivalents of approximately RMB1,112.91 million, representing an increase of approximately RMB543.59 million from that of approximately RMB569.32 million as at 31 December 2023. The increase was primarily due to the fact that the net cash flow generated from operating activities was approximately RMB648.57 million, and the fact that the net cash flow generated from investing activities was approximately RMB282.28 million as a result of the maturity or transfer of certain bank certificates of deposits purchased for the purpose of effective cash management and the recovery of large amount of funds during the Reporting Period, which was partially offset by the net cash flow used in financing activities of approximately RMB390.35 million.



MANAGEMENT DISCUSSION AND ANALYSIS

Bank Borrowings

As at 31 December 2024, the Group had total interest-bearing bank borrowings of approximately RMB395.74 million (31 December 2023: approximately RMB350.26 million), of which approximately RMB285.96 million (31 December 2023: approximately RMB194.98 million) of the bank borrowings will expire within one year, and the remaining bank borrowings of approximately RMB109.78 million (31 December 2023: approximately RMB155.28 million) will mature within two to five years.

Risk of Exchange Rate Fluctuations

The sales, costs and expenses of the Group were principally and mostly denominated in RMB. Despite the fact that the Group might be exposed to foreign exchange risk, the Board expects that exchange rate fluctuation of the foreign currencies held by the Group will not have any material adverse impact on the Group in the future. During the Reporting Period and as at 31 December 2024, the Group did not enter into any hedging transactions.

Contingent Liabilities

As of 31 December 2024, EndyMed, a holding subsidiary of the Company, was sued in Brazil for alleged patent infringement. As the case is at an early stage, its final outcome and potential amount of compensation cannot be reliably estimated at present. Therefore, at the end of the Reporting Period, the Group did not make any provision for this matter. The Group will assess its financial impact in a timely manner based on the progress of the litigation and carry out corresponding accounting treatment.

Significant Subsequent Event

Please refer to note 44 to the financial statements in this annual report for the details of significant subsequent events of the Group.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this annual report, the Group has no other material investment plans or capital asset plans during the year ended 31 December 2024.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this annual report, the Group did not have any material acquisitions or disposals related to subsidiaries, associates and joint ventures during the year ended 31 December 2024.

REPORT OF THE DIRECTORS

The Board presents their report and the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL BUSINESS

We focus on the research and development, manufacturing and sales of biomedical materials. We strategically target the fast-growing therapeutic areas in the biomedical material market in China, including ophthalmology, medical aesthetics and wound care, orthopedics, anti-adhesion and hemostasis.

BUSINESS REVIEW

A fair review of the Group's business during the Reporting Period is provided in the sections of the Chairman's Statement, the Management Discussion and Analysis, and the Corporate Governance Report, which include the description of the risks and uncertainties that the Group may face, an analysis of the Group's performance during the Reporting Period using financial key performance indicators, events that have material impacts on the Group after the Reporting Period, and a discussion of probable future developments in the Group's business. All such review and discussion form part of this "Report of the Directors".

The Group is highly aware of the importance of environment protection, has formulated and continuously improved various environmental protection management policies, and has strictly monitored the operations of environmental facilities and pollutant discharge during production to ensure up-to-standard discharge and continuous improvement in environmental performance. We promote the concept of environmental protection to employees and minimize unnecessary waste. To the best knowledge of the Group, there were no material violations of environmental laws and regulations during the Reporting Period.

The Group recognizes the importance of compliance with laws and regulatory requirements, and has formulated policies to ensure that the Group's operations comply with laws and regulations related to labor welfare, safety and health, and the environment etc. To the best knowledge of the Group, during the Reporting Period, there were no serious violations of laws and regulations that have significant impacts on the Group.

The Group considers customers, Shareholders, government institutions, employees, suppliers and communities as its important stakeholders, and understands the importance of maintaining a good relationship with its stakeholders to meet its medium and long-term goals. The Group has established multi-faceted communication and exchanges with various stakeholders to gain an in-depth understanding of their concerns and collect their opinions, so as to actively respond to their opinions and demands.

Details of the Group's environmental, social and corporate governance policies and performance during the Reporting Period are set out in the Company's Environmental, Social and Governance ("ESG") Report for 2024, which is published on the same date as this annual report.



REPORT OF THE DIRECTORS

RESULTS

The Group's results for the Reporting Period and the financial position of the Group as at 31 December 2024 are set out in the audited consolidated financial statements on pages 86 to 194 in this annual report.

A discussion and analysis of the Company's performance during the year and the material factors underlying its results and financial position are set out in the Management Discussion and Analysis on pages 7 to 24 in this annual report.

DIVIDENDS

On 21 March 2025, the Board proposed to distribute a final dividend of RMB0.6 (tax inclusive) per share for the year ended 31 December 2024. Based on a total of 233,193,695 shares of the Company in issue as at the date of this annual report, less 2,842,381 A Shares held by the Company as treasury shares and 312,900 H Shares repurchased but not cancelled, the aggregate proposed final dividend is RMB138,023,048.4 (tax inclusive). The final dividend is subject to the approval of the Shareholders at the 2024 annual general meeting of the Company to be held. If the total number of the Company's Shares changes before the record date, the Company will maintain the dividend distribution per Share unchanged, but adjust the total amount of the dividend accordingly. Details of the dividends distributed by the Company for the Reporting Period are set out in note 11 to the financial statements in this annual report. The Shareholders shall pay the relevant taxes in accordance with the following provisions and the tax regulations as updated from time to time, and may enjoy tax relief according to the actual situation. Shareholders should consult their professional tax and legal advisers on specific tax payment matters if necessary.

I. Holders of A Shares

In accordance with the Notice of Ministry of Finance, State Administration of Taxation and CSRC on Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Caishui [2015] No. 101) 《財政部、國家稅務總局、中國證監會關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)), for shares of listed companies obtained by individuals from public offerings or the market, where the holding period exceeds one year, the dividends shall be temporarily exempted from individual income tax; where the holding period is less than one month (inclusive), the full amount of dividends shall be counted as taxable income and where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. For dividends distributed by the Listed Company, where the period of individual shareholding is within one year (inclusive), the Listed Company shall not withhold the individual income tax temporarily. The tax amount payable, subject to individual transfer of shares, shall be calculated by China Securities Depository and Clearing Corporation Limited in accordance with its terms of shareholding. Custodian of shares including securities companies will withhold the tax amount from individual accounts and transfer the tax amount to China Securities Depository and Clearing Corporation Limited. China Securities Depository and Clearing Corporation Limited shall transfer the tax amount to the Listed Company within 5 working days of the next month, and the Listed Company shall declare the tax to the competent tax authorities upon receiving the tax amount within the statutory reporting period in that month.

REPORT OF THE DIRECTORS

Resident enterprise shareholders of A Shares shall report and pay for the enterprise income tax of dividends by themselves.

For the shareholders who are Qualified Foreign Institutional Investor (QFII), the Listed Company shall withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Notice of State Administration of Taxation Concerning the Relevant Questions on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII (Guo Shui Han [2009] No. 47) 《國家稅務總局關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009]47號)). QFII shareholders who wish to enjoy tax concessions shall apply to the competent taxation authority for tax rebates (arrangements) according to the relevant rules and regulations after they receive the dividends, and tax rebates will be executed under tax agreements upon verification carried out by competent tax authorities.

Pursuant to the requirements of the Notice of the Ministry of Finance, the State Administration of Taxation and the CSRC on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) 《財政部、國家稅務總局、中國證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), listed companies shall withhold an income tax at the rate of 10% on dividends from the A shares of the company invested by Hong Kong investors (including enterprises and individuals) through the SSE, and apply for withholding via the competent tax authorities (before the Hong Kong Securities Clearing Company Limited is able to provide details such as investor identities and holding periods to China Securities Depository and Clearing Corporation Limited, the policy of differentiated rates of taxation based on holding periods will temporarily not be implemented). For investors who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authority of the listed company for the entitlement of the rate under such tax treaty. Upon approval by the competent tax authority, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

II. Holders of H Shares

In accordance with the Enterprise Income Tax Law of the People's Republic of China 《中華人民共和國企業所得稅法》 and its implementation rules effective on 1 January 2008, where a PRC domestic enterprise distributes dividends for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, the Company will, after withholding 10% of the dividend as enterprise income tax, distribute the dividend to non-resident enterprise shareholders, i.e. any shareholders who hold the Company's shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or holders of H Shares registered in the name of other organizations and groups.

REPORT OF THE DIRECTORS

According to regulations by the State Administration of Taxation (Guo Shui Han [2011] No. 348) 《稅務總局國稅函[2011]348號》) and relevant laws and regulations, if the individual holders of H shares are residents of Hong Kong or Macau or those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these shareholders. However, if otherwise provided by tax laws, relevant tax treaties or notices, the tax will be withheld in accordance with the relevant requirements and tax levy and administration requirements.

According to the requirements of the Notice on the Tax Policies Concerning the Pilot Program of the Shanghai-Hong Kong Stock Connect published by the Ministry of Finance, the State Administration of Taxation and the CSRC (Cai Shui [2014] No. 81) 《財政部、國家稅務總局、中國證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), H-share companies shall withhold an individual income tax at the rate of 20% on dividends from the H shares of the company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds from investment through the Shanghai-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland enterprise investors from investment through the Shanghai-Hong Kong Stock Connect, H-share companies shall not withhold income tax of dividends, and mainland enterprise investors shall report and pay the tax amount by themselves. In particular, the dividends received by resident enterprises in mainland which hold H shares for at least 12 consecutive months shall be exempted from enterprise income tax according to law.

According to the requirements of the Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect published by the Ministry of Finance, the State Administration of Taxation and the CSRC (Cai Shui [2016] No. 127) 《財政部、國家稅務總局、中國證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), H-share companies shall withhold an individual income tax at the rate of 20% on dividends from the H shares of the company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds from investment through the Shenzhen-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland enterprise investors from investment through the Shenzhen-Hong Kong Stock Connect, H-share companies shall not withhold income tax of dividends, and mainland enterprise investors shall report and pay the tax amount by themselves. In particular, the dividends received by resident enterprises in mainland which hold H shares for at least 12 consecutive months could be exempted from enterprise income tax according to law.

REPORT OF THE DIRECTORS

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which, in order to maintain the balance of the Company's reasonable return on investment to investors and the sustainable development of the Group, the Board shall take into account the following factors when formulating the profit distribution plan: (1) the actual and expected financial results of the Group; (2) the dividends received by the Company from the subsidiaries; (3) the contract restrictions of the Group; (4) the Group's expected funding needs and future expansion plans; (5) the characteristics of the industry in which the Group operates; (6) external factors that have an impact on the Group's business, financial performance and positioning; and (7) other factors that the Board considers appropriate.

In accordance with the Articles of Association, the Company's profit distribution policy is as follows:

1. Profit distribution principles: the Company adopts consistent and stable profit distribution policies, which should emphasize on investors' reasonable investment return while maintaining sustainable development of the Company, but the profit distribution shall not exceed the range of the accumulated distributable profits or damage the Company's ability to continue operations.
2. Form of the profit distribution: the Company may distribute profit in the form of cash, shares, or by the combination of cash and shares, and shall adopt cash distribution provided that the conditions for cash distribution are satisfied.
3. Profit distribution interval: (1) the Company must make profit distribution at least once a year, provided that the Company records profit for the year with positive accumulative profit undistributed; and (2) the Company may make interim cash dividend. When the Company convenes an annual general meeting to consider the annual profit distribution plan, it may consider and approve the conditions of the distribution of interim cash dividend, the proportional limits, and the upper amount limits and etc. for the subsequent year, provided that the upper limit of the interim dividend for the subsequent year considered at the annual general meeting shall not exceed the net profit attributable to the listed company's shareholders for the corresponding period. Subject to profit distribution conditions, the Board should formulate a specific interim dividend plan according to the resolutions of the general meeting.
4. The Board shall propose differentiated cash dividend policies according to the procedures as set out in the Articles of the Association by considering the following different circumstances after taking into full consideration the characteristics of the industry in which the Company operates, its stage of development, its business model, profitability, debt repayment capacity, any arrangements for significant capital expenses and returns for investors: (1) if the Company is at mature stage and there are no arrangements for significant capital expenses, in making profit distribution, cash dividends shall account for at least 80% of the total profit to be distributed; (2) if the Company is at mature stage and there are arrangements for significant capital expenses, in making profit distribution, cash dividends shall account for at least 40% of the total profit to be distributed; (3) if the Company is at growth stage and there are arrangements for significant capital expenses, in making profit distribution, cash dividends shall account for at least 20% of the total profit to be distributed; and (4) if the stage of development of the Company is difficult to identify and there are arrangements for significant capital expenses, the preceding provision shall apply.

REPORT OF THE DIRECTORS

5. The specific conditions for the cash dividend distribution are as follows: (1) positive figures are recorded for the distributable profits of the Company (i.e. the remaining after-tax profits after the Company has covered loss and has extracted statutory reserve fund) during the preceding financial year; (2) a standard unqualified audit report is issued by an auditor for the financial report of the Company during the preceding financial year. If the Company recorded negative distributable profits for the preceding financial year or the auditor issued non-standard qualified audit report, the Company shall not distribute cash dividends during that year; and (3) the Company has no such events as major investment plans or significant cash expenditures (excluding fund-raising projects).
6. Conditions for distributing scrip dividends: When the Company has a good business operation and the Board believes that the distribution of scrip dividends will be in the interests of the Shareholders of the Company as a whole, the Company may propose a plan for distribution of scrip dividends, provided that there are sufficient cash for dividend distribution. In distributing profit by way of scrip dividend, true and reasonable factors such as the growth of the Company and the dilution to net assets per share shall be taken into account.
7. If there is any misappropriation of the Company's capital by any shareholder of the Company, the Company shall deduct the cash dividends allocated to such shareholder in order to repay the amount of misappropriated capital.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the Group's operating results, assets and liabilities for the past five financial years is set out on page 4 in this annual report. This summary does not form part of the audited consolidated financial statements.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out on pages 96 to 97 in this annual report.

USE OF PROCEEDS FROM THE A SHARE OFFERING

As approved by the document "Approval in Relation to Registration of the Initial Public Offering of Shanghai Haohai Biological Technology Co., Ltd." (Zheng Jian Xuke [2019] No. 1793) granted by CSRC, the Company was permitted to issue 17,800,000 ordinary shares (A Share) in RMB to the public at an issue price of RMB89.23 per Share on 21 October 2019. The total amount raised amounted to RMB1,588,294,000. After deducting the issuing expenses, the proceeds amounted to approximately RMB1,529,268,758. The share proceeds have been fully received, and have been verified by Ernst & Young Hua Ming LLP. The proceeds are held in dedicated accounts of the Company.

REPORT OF THE DIRECTORS

I. Management of share proceeds

In order to reinforce and regulate the management and use of the fund raised, enhance the efficiency and benefits of use of proceeds, and protect investors' interests, the Company formulates the "Share Proceeds Management System of Shanghai Haohai Biological Technology Co., Ltd." (the "**Management System**") in accordance with requirements of the applicable laws and regulations, together with the actual situation of the Company. According to the Management System, the Company adopts a dedicated account storage system for the share proceeds, establishes a dedicated account for the share proceeds in the bank, and signed the "Tripartite Supervision Agreement on Dedicated Account for Share Proceeds" with the sponsor UBS Securities Co., Ltd., Shanghai Songjiang Sub-branch of China Everbright Bank Co., Ltd. and Shanghai Putuo Sub-branch of Bank of Ningbo Co., Ltd., signed the "Quadripartite Supervision Agreement on Dedicated Account for Share Proceeds" with Shanghai Jianhua, the sponsor and Shanghai Putuo Sub-branch of Bank of Ningbo Co., Ltd., both of which clarified the rights and obligations of all parties. There is no significant difference between the above-mentioned supervision agreements and the model of supervision agreement of SSE. The Company has strictly followed the performance when using the share proceeds, in order to facilitate the management and use of the share proceeds and to monitor their use and ensure that the special funds are used exclusively.

II. Actual use of share proceeds

The Company strictly uses the share proceeds in accordance with the Management System. For details of the actual use of share proceeds by the raised capital investment projects, please refer to the "Comparison Table of Use of Share Proceeds of A Share Offering for 2024".



REPORT OF THE DIRECTORS

Reasons for projects no progressing as scheduled (by specific fundraising projects)	During the year of 2024, the Company did not have any failure to meet its planned schedule.
Explanation for material changes in the feasibility of projects	N/A.
Initial investment in share proceed projects and replacement with share proceeds	During the year of 2024, there was no initial investment in share proceed projects and replacement with share proceeds of the Company.
Idle share proceeds used for short-term liquidity	During the year of 2024, there was no idle share proceeds used for short-term liquidity of the Company.
Cash management of idle share proceeds and investment in related products	<p>The Proposal on the Use of Temporarily Idle Share Proceeds for Cash Management was considered and approved at the 17th meeting of the fifth session of the Board and the 13th meeting of the fifth session of the Supervisory Committee held on 1 December 2023. Pursuant to the proposal, the Company would use the temporarily idle fundraising proceeds up to RMB610.00 million for cash management on the premise of not affecting the progression of the investment plan of the Company's share proceeds. The share proceeds will be used to purchase investment products with high security, good liquidity and guaranteed capital (including but not limited to agreement deposit, notice deposit, time deposit, large certificate of deposit and income certificate, etc.) for a period not exceeding the construction period of the fundraising investment project. The period will be valid for 12 months from the date of consideration and approval by the Board of the Company. Within the aforementioned quota and period, the Company can use it cyclically.</p>
	<p>The Proposal on the Use of Temporarily Idle Share Proceeds for Cash Management was considered and approved at the 28th meeting of the fifth session of the Board and the 19th meeting of the fifth session of the Supervisory Committee held on 29 November 2024. Pursuant to the proposal, the Company would use the temporarily idle fundraising proceeds up to RMB400.00 million for cash management on the premise of not affecting the progression of the investment plan of the Company's share proceeds. The share proceeds will be used to purchase investment products with high security, good liquidity and guaranteed capital (including but not limited to agreement deposit, notice deposit, time deposit, large certificate of deposit and income certificate, etc.) for a period not exceeding the construction period of the fundraising investment project. The period will be valid for 12 months from the date of consideration and approval by the Board of the Company. Within the aforementioned quota and period, the Company can use it cyclically.</p>
	The sponsor has issued a verification opinion on the matter.

REPORT OF THE DIRECTORS

In 2024, the Company used idle share proceeds to purchase investment products with high security, good liquidity and guaranteed capital, with an ending balance of RMB390,000,000.00, from Shanghai Songjiang Sub-branch of China Everbright Bank Co., Ltd.

Surplus share proceeds used for permanently replenishing liquidity or returning bank loans	During the year of 2024, the Company did not use surplus share proceeds for permanently replenishing liquidity or returning bank loans.
Surplus shares proceeds used for projects under construction and new projects	During the year of 2024, there was no surplus shares proceeds used for projects under construction and new projects of the Company.
Surplus share proceeds of projects and the reasons	N/A.
Other uses of share proceeds	During the year of 2024, there was no other uses of the share proceeds of the Company.

Note 1: The amounts in this column are tax-included amounts.

Note 2: As of 31 December 2024, the construction of the “International Medical R&D and Industrialization Project by Shanghai Haohai Biological Technology Co., Ltd.” have not been completed.

Note 3: Supplementary liquidity has been invested a total of RMB201.3579 million, which is RMB1.3579 million more than the total committed investment of RMB200.00 million, which is the net interest income from the share proceeds of the project.

Note 4: Surplus share proceeds have been invested a total of RMB47.4956 million, which is RMB1.9734 million more than the total committed investment of RMB45.5222 million, which is the net interest income from the share proceeds of the project.

Note 5: The benefits realized from the Fengxian-base Project of Shanghai Jianhua Fine Biological Products Company Limited during the year of 2024 (i.e. the revenue realized from the project) include all the products produced by Jianhua in the Fengxian plant.

SHARE CAPITAL

Share capital of the Company as at 31 December 2024 was as follows:

	Number of shares	Percentage of total issued share capital
A Shares	194,051,855	83.21%
H Shares	39,141,840	16.79%

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

I. H Shares

The Board believes that repurchases of H Shares may lead to an enhancement of the net asset value per Share and/or earnings per Share of the Company. Therefore, the Board has flexibly made the repurchase of H Shares pursuant to the Repurchase Mandate. Details of the H Shares repurchased by the Company on the Hong Kong Stock Exchange during the year ended 31 December 2024 are as follows:

Months of repurchase	No. of Shares repurchased	Highest price paid per Share (HK\$)	Lowest price paid per Share (HK\$)	Aggregate Consideration ⁽¹⁾ (HK\$)
June	45,500	31.60	30.85	1,423,625.00
July	448,400	33.35	31.70	14,612,795.00
August	382,100	31.50	28.45	11,310,235.00
September	423,600	31.80	30.00	13,094,290.00
October	614,800	31.60	29.80	18,708,550.00
November	354,100	31.90	26.95	10,511,780.00
December	223,600	28.00	26.45	6,047,770.00
Total	2,492,100			75,709,045.00

Note (1): The aggregate consideration excludes transaction fee.

II. A Shares

The Board believes that the repurchase of A Shares by the Company through centralized bidding trading for use in future employee stock ownership plans or equity incentive in due course demonstrates confidence in the Company's development prospects and a recognition of the Company's value, which is conducive to enhancing investors' confidence in the Company and promoting the stable and healthy development of the Company, effectively aligning the interests of Shareholders, the Company and employees. Details of the A Shares repurchased by the Company on the SSE during the year ended 31 December 2024 are as follows:

Months of repurchase	No. of Shares repurchased	Highest price paid per Share (RMB)	Lowest price paid per Share (RMB)	Aggregate Consideration ⁽¹⁾ (RMB)
January	167,837	93.50	86.58	14,926,936.41
February	89,505	91.67	84.26	8,013,516.89
May	403,646	93.22	86.11	36,644,985.81
July	265,200	62.90	58.45	16,109,053.93
November	138,150	63.58	62.73	8,725,748.33
December	354,596	63.20	60.58	21,850,342.17
Total	1,418,934			106,270,583.54

Note (1): The aggregate consideration excludes transaction fee.

REPORT OF THE DIRECTORS

Save as disclosed in this annual report, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities nor disposed of any of the Company's treasury shares in the market during the Reporting Period. As at the end of the Reporting Period, the Company did not hold any H Shares as treasury shares under the Hong Kong Listing Rules.

PUBLIC SHAREHOLDINGS

Based on the public information available to the Company and so far as the Directors are aware, up to the date of this annual report, there was a sufficient prescribed public float of the issued Shares of the Company under the Hong Kong Listing Rules.

PRE-EMPTIVE RIGHTS

The Articles of Association or the PRC laws had no provisions regarding pre-emptive rights under which the Company must issue new shares on a pro rata basis to existing Shareholders.

MAJOR SUPPLIERS AND CUSTOMERS

During the Reporting Period, the aggregate purchases attributable to the Group's five largest suppliers comprised 44.06% of the Group's total purchases for the year ended 31 December 2024, among which, the purchases attributable to the Group's largest supplier during the Reporting Period amounted to 13.64%.

During the Reporting Period, the aggregate sales attributable to the Group's five largest customers comprised 9.21% of the Group's total sales for the year ended 31 December 2024, among which, the sales attributable to the Group's largest customer during the Reporting Period amounted to 3.27%.

During the Reporting Period, none of the Directors or their close associates or Shareholders which, to the knowledge of the Directors, owned more than 5% of the Company's total issued Shares had any beneficial interest in the five largest suppliers or customers of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company and its subsidiaries during Reporting Period are set out in note 13 to the financial statements.

RESERVES

As at 31 December 2024, the amount of the Company's reserves available for distribution calculated in accordance with the relevant rules and regulations of the PRC is RMB1,279 million.

REPORT OF THE DIRECTORS

DONATIONS

During the Reporting Period, the Group made donations of RMB580,000.

TAX RELIEF AND EXEMPTION

Save as disclosed in this annual report, the Company is not aware that any holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

BANK LOANS AND OTHER BORROWINGS

During the Reporting Period, the information on the bank loans and other borrowings of the Group are set out in note 28 to the financial statements.

MANAGEMENT CONTRACTS

During the Reporting Period, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth the particulars of the Directors, Supervisors and senior management as at the end of the Reporting Period and as at the date of this annual report:

Name	Capacity
Dr. Hou Yongtai	Chairman and Executive Director
Mr. Wu Jianying	Executive Director and General Manager
Mr. Tang Minjie	Executive Director and Chief Financial Officer
Ms. Chen Yiyi	Executive Director
Ms. You Jie	Non-executive Director
Mr. Huang Ming	Non-executive Director
Mr. Shen Hongbo	Independent Non-executive Director
Mr. Jiang Zhihong	Independent Non-executive Director
Mr. Su Zhi	Independent Non-executive Director
Mr. Yang Yushe	Independent Non-executive Director
Mr. Zhao Lei	Independent Non-executive Director
Mr. Liu Yuanzhong	Chairman of the Supervisory Committee and Shareholder Supervisor
Ms. Yang Qing	Independent Supervisor
Mr. Tang Yuejun	Independent Supervisor
Mr. Wei Changzheng	Employee representative Supervisor
Ms. Song Xiao	Employee representative Supervisor
Ms. Ren Caixia	Deputy general manager (retired on 24 January 2025)
Mr. Zhang Jundong	Deputy general manager
Mr. Wang Wenbin	Deputy general manager
Ms. Tian Min	Secretary of the Board and one of the joint company secretaries

REPORT OF THE DIRECTORS

PARTICULARS OF THE PROFILES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

See “Profiles of Directors, Supervisors and Senior Management” under this annual report for biographical details of Directors, Supervisors and senior management of the Company. Save as disclosed in that section, up to the date of this annual report, there were no changes in information of the Directors, Supervisors or chief executive which shall be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

DIRECTORS’ AND SUPERVISORS’ SERVICE CONTRACTS

Each of our Directors (including our non-executive and Independent Non-executive Directors) has entered into a service contract with our Company for a term of three years subject to termination provision. Each of the Supervisors has entered into a service contract with our Company for a term of three years and in respect of, among others, compliance with relevant laws and regulations, observation of the Articles of Association and provision on arbitration.

None of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group which is not determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in this annual report, no Director or Supervisor had a material interest, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Company or its subsidiaries, to which the Company or any of its subsidiaries and controlling companies or any of its subsidiaries entered into during or at the end of the Reporting Period.

CONTRACT OF SIGNIFICANCE

Except as disclosed in this annual report, during the Reporting Period, no contracts of significance in respect of provision of services or otherwise were entered into between the Company or its subsidiaries and the controlling Shareholders.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

In order to restrict competition activities with the Company, our controlling Shareholders, Ms. You Jie (who is also a non-executive Director of the Company) and Mr. Jiang Wei (who is the spouse of Ms. You Jie) (collectively, the “Covenantors”) have entered into a deed of non-competition in favour of the Company dated 8 December 2014 (the “Deed of Non-Competition”). The undertakings and covenants stipulated under the Deed of Non-Competition cover any business which is or may be in competition with the Core Operations (as defined therein) or the business of any member of our Group from time to time within the territories of Hong Kong and the PRC and such other parts of the world where such businesses are carried on by any member of our Group.

In determining whether the Covenantors had fully complied with the non-competition undertakings during the year ended 31 December 2024, the Company noted that (a) the Covenantors declared that they had fully complied with the non-competition undertakings in the Non-Competition Deed as at 31 December 2024, (b) no new competing business was reported by the Covenantors as at 31 December 2024, (c) there was no particular situation rendering the full compliance of the non-competition undertakings being questionable, and (d) the Independent Non-executive Directors had reviewed the compliance of non-competition undertakings by the Covenantors as part of the annual review process stipulated in the Deed of Non-Competition.

During the year ended 31 December 2024, the Directors were not aware of any business or interest of the Directors, Supervisors or any substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

INDEMNITY OF THE DIRECTORS

Pursuant to provisions of the Articles of Association, the Company may insure against the various possible legal risks faced by the Directors, Supervisors, general manager and other senior management in the ordinary course of performing their duties and the Company has arranged appropriate liability insurance for the Directors, Supervisors and senior management of the Company.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of emoluments of Directors, Supervisors, senior management and five highest paid individuals of the Company are set out in notes 8 and 9 to the financial statements. During the Reporting Period, there was no arrangement under which any Directors or Supervisors waived their remuneration.

Executive Directors are remunerated according to their performance appraisal in accordance with the specific management positions they hold in the Group and are no longer separately remunerated as Directors, such remuneration will be determined by the Board under approval and authorization of the general meetings. Non-executive Directors (including Independent Non-executive Directors) are remunerated at a fixed rate and should be determined by the Shareholders at the general meetings of the Company with reference to his/her background, experience and duties and responsibilities with the Company and the prevailing market conditions. Ms. You Jie, a non-executive Director, is not remunerated as a Director.

REPORT OF THE DIRECTORS

Remuneration of senior management members of the Company set out in this annual report, other than Directors and Supervisors, falls within the following bands:

Bands	Number
RMB500,000-RMB1,000,000	1
RMB1,000,001-RMB1,500,000	3

REMUNERATION OF EMPLOYEES AND POLICIES

As at 31 December 2024, the Group had 2,156 employees in total. The remuneration package for our employees generally includes salary, allowances and bonuses. Employees can also receive benefits such as housing allowance and social insurance. The remuneration particulars of the employees of the Company are set out in note 6 to the financial statements.

To further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the core management personnel, core technical or operational personnel and fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, the Board approved the proposed adoption of the 2021 Restricted A Share Incentive Scheme on 29 December 2021. The Incentive Scheme was approved at the 2022 extraordinary general meeting, the 2022 first A Shareholders' class meeting and the 2022 first H Shareholders' class meeting held on 7 March 2022. For the 2021 Restricted A Share Incentive Scheme, please refer to the section of "2021 Restricted A Share Incentive Scheme" in this annual report.

PENSION SCHEME

Pursuant to the provisions of the relevant laws and regulations of the PRC, the Group is required to participate in contribution to retirement benefit schemes established by the relevant provincial and municipal government authorities. The Group and its employees are required to make contributions, at certain percentages of employees' total salaries, to the retirement benefit scheme in accordance with such scheme. Upon retirement, employees will receive the pension issued by the provincial and municipal government authorities on a monthly basis. Details of the Company's pension scheme are set out in note 6 to the financial statements.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, none of the Directors or Supervisors or their respective associates (as defined in the Hong Kong Listing Rules) was granted by the Company or its subsidiaries any rights or options to acquire any shares in or debentures of the Company or had exercised any such rights during the Reporting Period.

REPORT OF THE DIRECTORS

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2024, the interests or short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 of the Hong Kong Listing Rules were as follows:

Name	Number of H Shares (shares)	Approximate percentage of total issued	Number of A Shares (shares)	Restricted Shares ⁽¹⁾ (shares)	Approximate percentage of total issued	Approximate percentage of total issued	Capacity in which interests are held
		H Shares (%)			A Shares (%)	Shares (%)	
Hou Yongtai			8,408,764 (L)	34,405 (L)	4.35	3.62	Beneficial owner
Wu Jianying			8,495,717 (L)		4.38	3.64	Beneficial owner
Chen Yiyi			593,964 (L)	34,405 (L)	0.32	0.27	Beneficial owner
Tang Minjie	25,400 (L)	0.06	68,369 (L)		0.04	0.04	Beneficial owner
You Jie ⁽²⁾			40,320,000 (L)		20.78	17.29	Beneficial owner
			68,866,000 (L)		35.49	29.53	Interest of spouse
Huang Ming			2,800,000 (L)		1.44	1.20	Beneficial owner
Liu Yuanzhong			2,800,000 (L)		1.44	1.20	Beneficial owner
Wei Changzheng ⁽³⁾			938 (L)	1,376 (L)	0.001	0.001	Interest of spouse

Notes: L denotes long position

- The Company has granted Restricted A Shares to participants pursuant to 2021 Restricted A Share Incentive Scheme. At the end of the Reporting Period, all Restricted Shares in the first attribution period under the First Grant and the Reserved Grant have completed vesting registration. Restricted Shares in the second attribution period under the First Grant were partly vested, and the remaining of which are lapsed due to the expiration of the validity period of the First Grant on 10 March 2025.
- Ms. You Jie directly holds 40,320,000 A Shares in the Company. She is the spouse of Mr. Jiang Wei and therefore she is deemed under the SFO to be interested in 66,528,000 A Shares directly held by Mr. Jiang Wei and 2,338,000 A Shares held through his controlling entities.
- Mr. Wei Changzheng, the Supervisor, is deemed under the SFO to be interested in 938 A Shares and 1,376 Restricted Shares in the Company directly held by his spouse.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2024, none of the other Directors, Supervisors or any of their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which are required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

REPORT OF THE DIRECTORS

COMPLIANCE WITH THE MODEL CODE

The Company had adopted the Model Code as the code of conduct for the Directors and Supervisors to conduct securities transactions on the Hong Kong Stock Exchange. Having made specific enquiries to all Directors and Supervisors, all of them confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2024, to the knowledge of the Directors of the Company, the interests or short positions of persons other than Directors, chief executives or Supervisors of the Company in the shares and underlying shares of the Company which were required to be notified to the Company and Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows. In the event of changes in the shareholding of the Shareholders in the Company, the Shareholders will not be required to notify the Company and the Hong Kong Stock Exchange unless certain conditions are met. Therefore, the latest shareholding of the Shareholders in the Company may be different from the shareholding submitted to the Hong Kong Stock Exchange.

I. Substantial A Shareholders

Name	Number of A Shares (shares)	Approximate	Approximate	Capacity in which interests are held
		Percentage of total issued A Shares (%)	Percentage of total issued Shares (%)	
Jiang Wei ⁽¹⁾	66,528,000 (L)	34.28	28.53	Beneficial owner
	40,320,000 (L)	20.78	17.29	Interest of spouse
	2,338,000 (L)	1.20	1.00	Interest of corporation controlled by the substantial shareholder

Note: L denotes long position

1. Mr. Jiang Wei directly holds 66,528,000 A Shares in the Company. He is the spouse of Ms. You Jie, the non-executive Director, and therefore he is deemed under the SFO to be interested in the 40,320,000 A Shares held by Ms. You Jie in the Company. He holds 2,338,000 A Shares in the Company through entities controlled by him.

REPORT OF THE DIRECTORS

II. Substantial H Shareholders

Name	Number of H Shares (shares)	Approximate percentage of total issued H Shares (%)	Approximate percentage of total issued Shares (%)	Capacity in which interests are held
Prudence Investment Management (Hong Kong) Limited	1,969,600 (L)	5.03	0.84	Investment Manager

Note: L denotes long position

- The above disclosure is based on the information available on the website of the Hong Kong Stock Exchange (www.hkexnews.com.hk).

Save as disclosed above, as at 31 December 2024, to the best knowledge of the Directors, there were no other persons who had interests or short positions in the shares or underlying shares of the Company, which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

2021 RESTRICTED A SHARE INCENTIVE SCHEME

On 29 December 2021, the Board proposed to adopt the 2021 Restricted A Share Incentive Scheme, which was approved and adopted by its Shareholders at the 2022 extraordinary general meeting, the 2022 first A Shareholders' class meeting and the 2022 first H Shareholders' class meeting held on 7 March 2022.

I. Purpose of the Incentive Scheme

To further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's core management personnel, core technical or operational personnel, fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, align the interests of the Shareholders, the Company and the core staff members, bring their attention to the long-term development of the Company and ensure that the Company's development strategy and business goals shall be realized.

REPORT OF THE DIRECTORS

II. Form and Source of the Restricted Shares to be Granted

The form of incentive instrument adopted under the Incentive Scheme is Restricted Shares. The source of all Restricted Shares under the Incentive Scheme will be new ordinary A Shares to be issued by the Company to the Participants.

III. Total Number of Shares Available for Issue and Issued Shares

Pursuant to the Incentive Scheme, the Board resolved on 11 March 2022 and 16 November 2022, respectively, to grant a total of 1,800,000 Restricted Shares under the First Grant and the Reserved Grant. In view of the completion of the Capitalization Issue, the number of A Shares available for issue under this Incentive Scheme was 2,520,000 Shares (adjusted), representing 1.08% of total issued Shares (i.e., 233,193,695 Shares) as at the date of this annual report.

Save as disclosed in this section, there is no options and awards available for grant under any scheme of the Company at the beginning and the end of the Reporting Period. During the Reporting Period, the number of shares available for issue under all schemes (i.e. this Incentive Scheme) was 1,260,000 A Shares (taking into account the Capitalization Issue), representing 0.66% of the weighted average number of A Shares in issue for the Reporting Period.

IV. Participants of the Incentive Scheme

The participants under the Incentive Scheme (the “Participants”) include directors, members of the senior management, core technical staff of the Company and its subsidiaries, and other persons of the Group considered by the Board to be required to be incentivized (excluding independent non-executive Directors, Supervisors, persons who individually or jointly hold or control 5% or more of the total issued share capital of the Company or their spouses, parents and children). The total number of shares to be granted to any Participant under all share incentive schemes of the Company which are within their validity period shall not exceed 1.00% of the total share capital of the Company.

V. Grant Price of the Restricted Shares

Pursuant to the STAR Market Listing Rules and the Management Measures for Share Incentive Scheme Adopted by Listed Companies, the Grant Price shall not be lower than the par value of each Share and in principle should not be lower than the higher of the following prices (i) 50% of the average trading price of the A Shares for the 1 day immediately preceding the A Share announcement of the draft Incentive Scheme, being RMB61.34 per A Share; (ii) 50% of the average trading price of the A Shares for the 20 days immediately preceding the A Shares announcement of the draft Incentive Scheme, being RMB66.69 per A Share; (iii) 50% of the average trading price of the A Shares for the 60 days immediately preceding the A Shares announcement of the draft Incentive Scheme, being RMB70.75 per A Share; and (iv) 50% of the average trading price of the A Shares for the 120 days immediately preceding the A Shares announcement of the draft Incentive Scheme, being RMB91.14 per A Share.

REPORT OF THE DIRECTORS

On 7 March 2022, the Grant Price of this Incentive Scheme, as approved by the general meeting, was RMB95.00 per Share. Based on this Incentive Scheme and the implementation of the Company's final dividend for the year ended 31 December 2021, the Board resolved to adjust the Grant Price to RMB94.30 per Share on 16 November 2022. Based on this Incentive Scheme and the implementation of the Company's final dividend for the year ended 31 December 2022, the Board resolved to adjust the Grant Price to RMB93.90 per Share on 11 September 2023. In light of the implementation of the Company's final dividend for the year ended 31 December 2023 and the Capitalization Issue, and the implementation of the Company's interim dividend for the six months ended 30 June 2024, the Board resolved to adjust the Grant Price to RMB65.96 per Share on 29 November 2024.

VI. Validity Period, Attribution Arrangements and Black-Out Periods

The Incentive Scheme will become effective upon the Grant Date, and shall be valid until the date on which all Restricted Shares have been attributed or lapsed. Such period shall not exceed 36 months. As at the date of this annual report, the validity period of the First Grant under the Incentive Scheme has expired, and the remaining life of the Reserved Grant is approximately 8 months.

Subject to the attribution conditions having been fulfilled, the Restricted Shares may be attributed to the Participants in tranches 12 months after the Grant Date. An attribution date must be a trading day within the validity period of the Incentive Scheme, and shall not fall within any of the periods during which the listing rules of the place where the Company's securities are listed prohibit the attribution. Within the validity period of the Incentive Scheme, if the relevant provisions of the listing rules of the place where the Company's securities are listed on the attribution period change, the attribution date for the Participants shall conform to the provisions of the revised relevant laws, regulations and normative documents.

Attribution arrangements of the First Grant under the Incentive Scheme are as follows:

Tranche	Attribution Period	Attribution Percentage
First tranche	From the first trading day after the expiry of 12 months following the Grant Date of the First Grant until the last trading day within the 24 months following the Grant Date of the First Grant	50%
Second tranche	From the first trading day after the expiry of 24 months following the Grant Date of the First Grant until the last trading day within the 36 months following the Grant Date of the First Grant	50%

REPORT OF THE DIRECTORS

Attribution arrangements of the Reserved Grant under the Incentive Scheme are as follows:

Tranche	Attribution Period	Attribution Percentage
First tranche	From the first trading day after the expiry of 12 months following the Grant Date of the Reserved Grant until the last trading day within the 24 months following the Grant Date of the Reserved Grant	50%
Second tranche	From the first trading day after the expiry of 24 months following the Grant Date of the Reserved Grant until the last trading day within the 36 months following the Grant Date of the Reserved Grant	50%

Those Restricted Shares which have not been attributed during the period of their respective tranches as a result of failure to fulfil the attribution conditions are not allowed to be deferred to be attributed in the next attribution period(s) and shall lapse.

There is no additional black-out period for the Restricted Shares under the Incentive Scheme upon attribution. The requirements of black-out are implemented in accordance with relevant laws, regulations and regulatory documents including the Company Law and the Securities Law and the Article of Association.

VII. Details of Movement in the Incentive Scheme during the Reporting Period

Details of the movement of Restricted Shares under the First Grant during the Reporting Period are set out below:

Name of Participant(s)	Category of Participant(s)	Date of Grant ⁽¹⁾	Number of Restricted Shares				Granted but Unvested as at 31 December 2024 ⁽⁴⁾
			Granted but Unvested as at 1 January 2024	Newly Granted	Attributed ⁽²⁾	Lapsed ⁽³⁾	
Dr. Hou Yongtai	Executive Director	11 March 2022	25,000	0	0	425	34,405
Mr. Wu Jianying	Executive Director and general manager	11 March 2022	35,000	0	34,405	595	0
Mr. Tang Minjie	Executive Director	11 March 2022	25,000	0	24,575	425	0
Ms. Chen Yiyi	Executive Director	11 March 2022	25,000	0	0	425	34,405
Ms. Sheng Ailian	Spouse of a Supervisor	11 March 2022	1,000	0	0	17	1,376
199 employees	Other employee participants	11 March 2022	592,000	0	467,465	21,803	143,822
Total			703,000	0	526,445	23,690	214,008

REPORT OF THE DIRECTORS

Notes:

- (1) The closing price of A Shares immediately before the grant date of the First Grant of relevant Restricted Shares was RMB92.25 per A Share.
- (2) During the Reporting Period, Restricted Shares in the second attribution period under the First Grant were partly vested on 26 March 2024. The purchase prices of the vesting Shares are RMB93.9 per Share. The weighted average closing price of the Shares immediately before the date on which such Shares were vested (i.e. 26 March 2024) was RMB106.2 per Share.
- (3) The lapsed Restricted Shares under the First Grant is due to the failure of the performance at the Company level in the second attribution period under the Incentive Scheme, the departure of individual Participants or the failure of the performance assessment at the individual level.
- (4) In accordance with the Incentive Scheme, the number of non-vested Restricted Shares granted is adjusted accordingly as the Company has implemented the Capitalization Issue. 214,008 Restricted Shares that had been granted but not vested under the First Grant are lapsed due to the expiration of the validity period of the First Grant on 10 March 2025.

Details of the movement of Restricted Shares under the Reserved Grant during the Reporting Period are set out below:

Name of Participant(s)	Category of Participant(s)	Date of Grant ⁽¹⁾	Number of Restricted Shares				Granted but Unvested as at 31 December 2024 ⁽⁴⁾
			Granted but Unvested as at 1 January 2024	Newly Granted	Attributed ⁽²⁾	Lapsed ⁽³⁾	
93 employees	Other employee participants	16 November 2022	173,500	0	0	17,898	225,002

Notes:

- (1) The closing price of A Shares immediately before the grant date of the Reserved Grant of relevant Restricted Shares was RMB81.90 per A Share.
- (2) On 18 November 2024, the attribution conditions for the Restricted Shares in the second attribution period under the Reserved Grant were fulfilled, but vesting registration has not yet been made during the Reporting Period.
- (3) The lapsed Restricted Shares under the Reserved Grant is due to the failure of the performance at the Company level in the second attribution period under the Incentive Scheme or the departure of individual Participants.
- (4) In accordance with the Incentive Scheme, the number of non-vested Restricted Shares granted is adjusted accordingly as the Company has implemented the Capitalization Issue.

REPORT OF THE DIRECTORS

VIII. Fair Value and Accounting Standards

The fair value of the Restricted Shares under the First Grant and the Reserved Grant of the Incentive Scheme on their respective grant date are as follows:

Date of Grant	Attribution Period	Fair Value (RMB per share)
First Grant (i.e. 11 March 2022)	First tranche	20.33
	Second tranche	26.96
Reserved Grant (i.e. 16 November 2022)	First tranche	13.36
	Second tranche	19.55

For the method of determining the fair value and the accounting standards and policies adopted for the Restricted Shares, and further details of the 2021 Restricted A Share Incentive Scheme are set out in the Company's announcements dated 29 December 2021, 11 March 2022 and 16 November 2022, the circular dated 15 February 2022.

CONNECTED TRANSACTIONS

I. Entering into the Spray Pump Customization Agreement

On 8 March 2024, the Company and Haohai Technology (Changxing) Company Limited (昊海科技(長興)有限公司) ("Haohai Changxing") renewed the Spray Pump Customization Agreement, pursuant to which the Company agreed to engage Haohai Changxing to process spray pumps for use in the Company's product packaging until 31 December 2026. At that time, Haohai Changxing is held indirectly as to 49% by Mr. Jiang Wei, a controlling shareholder of the Company and the spouse of Ms. You Jie, also a controlling shareholder of the Company and a non-executive Director. Ms. You Jie separately indirectly controls 51% in Haohai Changxing. Haohai Changxing is therefore a connected person of the Company under the Hong Kong Listing Rules and the transactions contemplated under the Spray Pump Customization Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the applicable percentage ratios stipulated under Rule 14.07 of the Hong Kong Listing Rules in respect of the transactions contemplated under the Spray Pump Customization Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Spray Pump Customization Agreement are subject to reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

REPORT OF THE DIRECTORS

In 2024, the Company's total transaction amount with Haohai Changxing contemplated under Spray Pump Customization Agreement was RMB4,287,274.32. The annual cap for the year 2024 was RMB7,600,000. Such annual cap was determined according to (1) the historical procurement volume of the Company, (2) the expected growth of sales volume of relevant products, and (3) the prevailing price in market.

During the Reporting Period, the Company followed the pricing policies and mechanisms set out in the agreement for the above continuing connected transaction when determining the prices and terms of those transaction.

The Independent Non-executive Directors have reviewed the above continuing connected transactions for the year ended 31 December 2024 and have confirmed that these continuing connected transactions were: (1) entered into in the ordinary and usual course of business of the Group; (2) entered into on normal commercial terms or better to the Group; and (3) in accordance with the terms of respective agreements governing the transactions that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Ernst & Young, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standards on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions Under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Hong Kong Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

In order to ensure that transactions are conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders, the Company's pricing policies and internal control procedures for Spray Pump Customization Agreement are as follows:

- (1) The Company's procurement centre regularly monitors the unit price, payment methods and other transaction conditions of independent third parties and compares these terms with the Company's orders with Haohai Changxing on an ongoing basis. The Company is also in a position to freely negotiate and agree on the pricing and payment terms during the course of the Spray Pump Customization Agreement. The Company has the flexibility to reduce the orders places with Haohai Changxing should it consider that the terms being offered by Haohai Changxing are not sufficiently competitive or desirable. In addition, the procurement centre estimates the future purchase amount based on procurement plans submitted by the production department on a regular basis.
- (2) After the expiry of each of the previous framework spray pump customization agreement, the Company assesses the desirability of entering into a new framework spray pump customization agreement with Haohai Changxing by considering whether Haohai Changxing has the ability and qualifications to continue to meet the Company's quality and quantity needs for spray pumps.

REPORT OF THE DIRECTORS

- (3) The Company's financial department monitors the actual transaction amount regularly and compares this against the annual cap set, and will report to senior management if annual caps are likely to be exceeded. Senior management will consider the totality of matters (including but not limited to the transactions being carried out, the estimated future demand for spray pumps and the necessity of the future demand) based on discussions with the Company's production department, procurement centre and the financial department before preparing a summary report to the Board for further action.
- (4) The Company's internal audit department regularly evaluates whether the spray pump procurement process under the Spray Pump Customization Agreement complies with the Company's standard procurement procedures. The internal audit department will also regularly evaluate for any potential procurement fraud, etc.

II. Grant of Restricted Shares to Connected Participants

As disclosed in "2021 Restricted A Share Incentive Scheme" above, the 2021 Restricted A Share Incentive Scheme was approved and adopted by its Shareholders at the 2022 extraordinary general meeting, the 2022 first A Shareholders' class meeting and the 2022 first H Shareholders' class meeting held on 7 March 2022.

The Restricted Shares under the First Grant will be granted to the participants at the grant price of RMB95.00 per A Share according to the 2021 Restricted A Share Incentive Scheme. Among such participants, Dr. Hou Yongtai, Mr. Wu Jianying, Mr. Tang Minjie and Ms. Chen Yiyi are executive Directors; Ms. Jiang Lixia, Ms. Jin Sha, Ms. Tian Min, Ms. Huang Ling, Ms. Li Zirui, Ms. Huang Rongrong, Mr. Robert John McGregor, Mr. David Simon Wyatt, Mr. Mak Cheung Kwai Anthony and Mr. Robert Edward Lewis are directors or supervisors of one or more subsidiaries of the Company; and Ms. Sheng Ailian is the spouse of Mr. Wei Changzheng, a Supervisor. Each of them is a connected person under Chapter 14A of the Hong Kong Listing Rules. A total of 345,000 Restricted Shares were granted to such Connected Participants on 11 March 2022.

Accordingly, the issue and grant of the Restricted Shares to the Connected Participants under the 2021 Restricted A Share Incentive Scheme constitutes non-exempt connected transactions of the Company, and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Further details of the 2021 Restricted A Share Incentive Scheme and the grant of Restricted Shares to the Connected Participants are set out in the Company's announcements dated 29 December 2021, 7 March 2022, 11 March 2022 and 16 November 2022, and the circular dated 15 February 2022.

Save as disclosed above, during the year ended 31 December 2024, the Group had not entered into any connected transactions or continuing connected transactions which were subject to disclosure in this annual report under Chapter 14A of the Hong Kong Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Hong Kong Listing Rules. Information on connected transactions effective during the Reporting Period are contained in note 39 to the financial statements in this annual report, among which, note 39(b) is fully exempt connected transactions pursuant to the Rule 14A.76 of the Hong Kong Listing Rules.

REPORT OF THE DIRECTORS

The related party transactions in respect of the remuneration of Directors, Supervisors and chief executives of the Company constitute continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules. However, these transactions are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The related party transactions in respect of the remuneration of key management personnel (other than Directors, Supervisors and chief executives) of the Company were not connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

RELATED PARTY TRANSACTIONS

The details on the related party transactions of the Group for the year ended 31 December 2024 are set out in note 39 to the financial statements in this annual report.

Save as disclosed above, none of the related party transactions constituted a connected transaction or continuing connected transaction which is subject to the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Hong Kong Listing Rules throughout the Reporting Period.

DISCLOSURE PURSUANT TO RULE 14A.63 OF THE HONG KONG LISTING RULES

References are made to the announcements of the Company dated 8 February 2023 and 9 March 2023 in relation to the equity transfer agreement (the "Equity Transfer Agreement") for the acquisition of 20% equity interest in NIMO by Shanghai Haohai Medical Technology Development Co., Ltd. (the "Purchaser", a wholly-owned subsidiary of the Company) from Mr. Zhang Jinsong, Shenzhen Jiusi Investment Partnership (Limited Partnership), Zhongjing Equity Investment Fund Management (Shenzhen) Partnership (Limited Partnership) and Shenzhen Baina Tongda Investment Consulting Partnership (Limited Partnership) (collectively, the "Sellers").

Pursuant to the Equity Transfer Agreement, the Sellers have made certain profit guarantees to the Purchaser in respect of the business profits of NIMO for the years of 2023, 2024 and 2025. If the actual business profit of NIMO in a certain year is lower than the corresponding guaranteed business profit, the Purchaser has the right to request the Sellers to provide monetary compensation. Details of such profit guarantees were set out in the announcements of the Company dated 8 February 2023 and 9 March 2023.

NIMO's actual business profit for 2023 has met the profit guarantee for 2023 as agreed in the Equity Transfer Agreement.

Regarding the profit guarantee for 2024, as at the date of this annual report, NIMO's actual business profit for 2024 is subject to completion of the audit report of NIMO. Based on the unaudited financial data of NIMO currently available and the preliminary review by the Company, it is expected that NIMO's actual business profit for 2024 is likely to fall short of the profit guarantee for the year of RMB59.10 million by approximately RMB26.46 million. When the actual amount of the shortfall to the profit guarantee for 2024 has been ascertained under the Equity Transfer Agreement with reference to the audited financial data of NIMO, the Company will make relevant disclosure by way of an announcement pursuant to Rule 14A.63 of the Hong Kong Listing Rules.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE CODE

The Company has complied with all applicable code provisions under Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules throughout the Reporting Period. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the code provisions as set out in the Corporate Governance Code.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period. So far as the Directors are aware, there is no material litigation or claims which are pending or threatened against the Company.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference. The 2024 annual results and financial statements of the Group for the year ended 31 December 2024 have been reviewed by the Audit Committee. For details on the primary duties, composition and operation of the Audit Committee, please refer to the section of Corporate Governance Report in this annual report.

AUDITORS

Ernst & Young has been appointed as Auditors in respect of the financial statements for the year ended 31 December 2024 prepared in accordance with International Financial Reporting Standards. These financial statements have been audited by Ernst & Young. Since the date of preparation for the listing on the Hong Kong Stock Exchange, the Company has been engaging Ernst & Young for their services. Ernst & Young will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE HONG KONG LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Hong Kong Listing Rules.

By order of the Board

Hou Yongtai

Executive Director and Chairman of the Board

21 March 2025

CORPORATE GOVERNANCE REPORT

The Board presents this corporate governance report (the “Corporate Governance Report”) in this annual report.

VISION, MISSIONS AND VALUES

We are an innovative technology-driven enterprise that specializes in the R&D, production and sales of medical devices and pharmaceuticals using biomedical materials technology and genetic engineering technology. Since our establishment, we have consistently aimed to improve the quality of life for our citizens and promote patient recovery, focusing on differentiated development as our strategic direction. We are committed to providing innovative medical products to the market through technological innovation and transformation, integration of domestic and international resources, and large-scale production, gradually achieving the import substitution of related pharmaceutical products. We uphold and actively cultivate a set of values centered on people, integrity and honesty, protection and encouragement of innovation. In our daily operations, we integrate our vision, mission, and values into all levels and aspects of the Group through various means, thereby building a corporate culture with our own distinctive features.

CORPORATE GOVERNANCE PRACTICES

The Company and its subsidiaries are committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. During the Reporting Period, the Company had complied with all applicable code provisions under Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules.

SUMMARY OF CORPORATE GOVERNANCE

In accordance with the Company Law, the Securities Law of the People’s Republic of China and the regulatory requirements of the place where the Shares are listed, the Company has established a corporate governance structure comprising the general meeting, the Board, Supervisory Committee and the management, among which, the general meeting is the authority. The Board implements the resolutions passed at general meetings and is accountable to the general meetings, and it reports its work at general meetings. The senior management is responsible for the daily management, administration and operation of the Group. As a supervisory agency of the Company, the Supervisory Committee is responsible for the supervision of the Board and senior management so as to prevent them from the misuse of authority and infringement of lawful rights of the Shareholders, the Company and the Company’s employees.

In addition, the Board has set up four special committees under it, i.e., the Audit Committee, the Nomination Committee, the Remuneration and Review Committee, and the Strategy and Sustainable Development Committee. Each special committee is accountable to the Board, under the unified leadership of the Board, shall perform their duties in accordance with the Articles of Association and the authorization of the Board, and provide recommendations and advice for the decision-making of the Board.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

I. Procedures for Shareholders to Convene an Extraordinary General Meeting

Shareholders who individually or in aggregate hold more than 10% of the shares carrying the right to vote at the meeting sought to be held requesting the convening of an extraordinary general meeting or a meeting of Shareholders of different classes shall proceed in accordance with the procedures set forth below:

1. Two or more Shareholders holding a total of more than 10% of the shares carrying the right to vote at the meeting sought to be held may sign one or more written requests of identical form and substance requesting the Board to convene an extraordinary general meeting or a class meeting and stating the subject of the meeting. The Board shall make a written response as to whether or not it agrees to hold the extraordinary general meeting or the class meeting within 10 days after having received the above-mentioned written request. The shareholding referred to above shall be calculated as of the date on which the written request is made by shareholder(s).
2. If the Board agrees to convene the extraordinary general meeting or the class meeting, it shall issue the notice of the extraordinary general meeting or the class meeting in 5 days after making the resolution of the Board. If there is any change to the original proposal in the notice, it shall be approved by the relevant Shareholders.
3. If the Board disapproves the proposal to convene the extraordinary general meeting or the class meeting, or fails to provide a response in 10 days after receiving the request, Shareholders shall be entitled to propose to the Supervisory Committee in writing for the purpose of convening the extraordinary general meeting or the class meeting.
4. If the Supervisory Committee approves the convening of the extraordinary general meeting or the class meeting, it shall issue a notice thereof within 5 days of receipt of said request, provided that any changes made in such notice to the original proposal shall be subject to prior consent from the relevant Shareholders.
5. If no notice is issued by the Supervisory Committee of the extraordinary general meeting or the class meeting within the stipulated period, the Supervisory Committee shall be deemed to have failed to convene and chair the extraordinary general meeting or the class meeting, in which case the shareholder(s) individually or jointly holding more than 10% of the Company's shares for consecutive 90 days may convene and chair such meeting on their own. The procedures according to which they convene such meeting shall, to the extent possible, be identical to the procedures according to which general meetings are to be convened by the Board. The shareholding proportion of the convening Shareholders before the announcement of the resolutions passed at the Shareholders' general meeting shall not be under 10%.

CORPORATE GOVERNANCE REPORT

6. In the event that the Supervisory Committee or Shareholders convenes a general meeting by themselves, they shall notify the Board in writing and lodge a filing with the stock exchange(s). The Supervisory Committee or convening Shareholders shall submit the relevant evidentiary materials to the stock exchange(s) when the notice of Shareholders' general meeting and the announcement of the resolutions passed at the Shareholders' general meeting are issued.

II. Procedures for Directing Shareholders' Enquiries to the Board

According to the Articles of Association, a Shareholder may propose to access or obtain relevant information provided for in the Articles of Association of the Company. The Company has disclosed its address, hotline for investor relationship, fax and email in the Company website and the periodical reports, and arranges manpower specially for taking calls from investors, handling investors' emails, and timely reporting to the Company's management.

III. Procedures to Propose Motions at General Meetings

According to the provisions of the Articles of Association, whenever the Company convenes a general meeting, the Board, the Supervisory Committee and Shareholder(s) individually or together holding more than 1% of the Company's shares shall have the right to propose motions in writing to the Company. The Company shall include such proposed motions in the agenda of such meeting if they are matters falling within the functions and powers of general meetings.

Shareholder(s) individually or together holding more than 1% of the Company's shares shall have the right to propose an extempore motion ten (10) days prior to the general meeting by submitting the same to the convener in writing. The convener shall serve a supplemental notice of general meeting to other shareholders within two (2) days upon receipt of the proposed motion, and shall include such proposed motion in the agenda of such general meeting if it is a matter falling within the functions and powers of general meetings and submit to the general meeting for consideration. Where required otherwise by the listing rules of the stock exchange where the Company's shares are listed, such requirements shall be satisfied. Shareholders shall propose motions which meet the following requirements: (i) the content does not infringe the law, regulations and falls within the scope of the Company's business and the functions and powers of general meetings; (ii) with definite issues to discuss and specific matters to resolve; and (iii) is made in writing submitted or delivered to the Board.

CORPORATE GOVERNANCE REPORT

IV. General Meetings

For the year ended 31 December 2024, six general meetings of the Company were held. Details are as follows:

Date	Venue	Meeting
29 May 2024	24/F, WenGuang Plaza, No. 1386, Hongqiao Road, Changning District, Shanghai, PRC	2023 Annual General Meeting
29 May 2024	24/F, WenGuang Plaza, No. 1386, Hongqiao Road, Changning District, Shanghai, PRC	2024 First A Shareholders' Class Meeting
29 May 2024	24/F, WenGuang Plaza, No. 1386, Hongqiao Road, Changning District, Shanghai, PRC	2024 First H Shareholders' Class Meeting
13 September 2024	24/F, WenGuang Plaza, No. 1386, Hongqiao Road, Changning District, Shanghai, PRC	2024 First Extraordinary General Meeting
13 September 2024	24/F, WenGuang Plaza, No. 1386, Hongqiao Road, Changning District, Shanghai, PRC	2024 Second A Shareholders' Class Meeting
13 September 2024	24/F, WenGuang Plaza, No. 1386, Hongqiao Road, Changning District, Shanghai, PRC	2024 Second H Shareholders' Class Meeting

CORPORATE GOVERNANCE REPORT

THE BOARD

I. Composition and Terms of Office of The Board

As at the end of the Reporting Period, the Board comprised of eleven members, consisting of four executive Directors, two non-executive Directors and five Independent Non-executive Directors. Incumbent Directors and their terms of office during the Reporting Period are as follows:

Directors	Term of office commencement date	Term of office expiry date
<i>Executive Directors</i>		
Dr. Hou Yongtai (<i>Chairman</i>)	23 July 2010	Until the appointment of the new session of the Board
Mr. Wu Jianying (<i>General Manager</i>)	23 July 2010	Until the appointment of the new session of the Board
Mr. Tang Minjie (<i>Chief Financial Officer</i>)	14 February 2017	Until the appointment of the new session of the Board
Ms. Chen Yiyi	23 July 2010	Until the appointment of the new session of the Board
<i>Non-executive Directors</i>		
Ms. You Jie	23 July 2010	Until the appointment of the new session of the Board
Mr. Huang Ming	23 July 2010	Until the appointment of the new session of the Board
<i>Independent Non-executive Directors</i>		
Mr. Shen Hongbo	29 December 2023	Until the appointment of the new session of the Board
Mr. Jiang Zhihong	29 June 2020	Until the appointment of the new session of the Board
Mr. Su Zhi	29 June 2020	Until the appointment of the new session of the Board
Mr. Yang Yushe	29 June 2020	Until the appointment of the new session of the Board
Mr. Zhao Lei	29 June 2020	Until the appointment of the new session of the Board

During the Reporting Period, the Board had complied with the requirements of the Hong Kong Listing Rules on appointment of at least three Independent Non-executive Directors, representing at least one-third of members of the Board and at least one of whom shall have appropriate professional qualifications, or accounting or relevant financial management expertise. The qualifications of the five Independent Non-executive Directors of the Company fully comply with the requirements of Rules 3.10(1) and (2) of the Hong Kong Listing Rules.

CORPORATE GOVERNANCE REPORT

None of the Independent Non-executive Directors of the Company has any business or financial interests in the Company and its subsidiaries, nor do they hold any executive positions in the Company, which effectively guaranteed their independence. The Company has received from each of the Independent Non-executive Directors an annual confirmation of their independence under Rule 3.13 of the Hong Kong Listing Rules. Accordingly, the Company is of the opinion that all the Independent Non-executive Directors are independent under Rule 3.13 of the Hong Kong Listing Rules.

The detailed biographies of the Directors are set out on pages 73 to 77 in this annual report. Members of the Board do not have any relationships between each other (including financial, business, family or other material or related relations). The Board is well-balanced in structure and each of its members possesses extensive knowledge, experience and talent in relation to the business operation and development of the Company. All the Directors are well aware of their joint and several responsibilities towards the Shareholders of the Company.

II. Meetings of the Board

According to the Articles of Association, meetings of the Board shall be held at least four times a year. Meetings shall be convened by the chairman of the Board. Notice of the meetings shall be sent to all Directors and Supervisors before the meeting is held under the relevant provisions. A meeting of the Board shall be attended by more than half of all the Directors. Meetings of the Board shall be attended by the Directors in person. If a Director cannot attend a meeting for any reason, he may appoint in writing another Director as his proxy to attend the meeting on his behalf. The instrument of proxy shall specify the scope of authority. During the Reporting Period, the Board held 10 meetings in total.

Statistics on Directors' attendance at general meetings and at meetings of the Board are specified as follows:

Name	General meetings attended/ meetings eligible to attend	Meetings of the Board attended/ meetings eligible to attend
Mr. Hou Yongtai	6/6	10/10
Mr. Wu Jianying	6/6	10/10
Ms. Chen Yiyi	6/6	10/10
Mr. Tang Minjie	6/6	10/10
Ms. You Jie	6/6	10/10
Mr. Huang Ming	6/6	10/10
Mr. Shen Hongbo	6/6	10/10
Mr. Jiang Zhihong	6/6	10/10
Mr. Su Zhi	6/6	10/10
Mr. Yang Yushe	6/6	10/10
Mr. Zhao Lei	6/6	10/10

CORPORATE GOVERNANCE REPORT

III. Board and the Management

The functions and powers of the Board and the management are well defined in the Articles of Association, aiming to provide an adequate balance and restriction mechanism for the purpose of sound corporate governance and internal control. The management of the Company is accountable to the Board. Under the leadership of the General Manager, the management is responsible for implementing the resolutions duly approved by the Board, formulating specific regulations of the Company and supervising the daily operation and management of the Company.

The Company has established internal systems to ensure that independent views and opinions are available to the Board. The Directors shall avoid from voting on relevant proposals associated with them when considered by the Board, and independent non-executive Directors have the right to receive independent professional advices on any matter relating to the performance of their duties at the Company's expense. The relevant mechanisms have been reviewed by the Board and are considered to be properly implemented and effective.

IV. Directors' Continuous Training and Development

Pursuant to code provision C.1.4 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the Reporting Period, the Company provided all Directors (i.e. Dr. Hou Yongtai, Mr. Wu Jianyin, Ms. Chen Yiyi, Mr. Tang Minjie, Ms. You Jie, Mr. Huang Ming, Mr. Shen Hongbo, Mr. Jiang Zhihong, Mr. Su Zhi, Mr. Yang Yushe and Mr. Zhao Lei) with training regarding the SSE Self-Regulatory Guidelines for Listed Companies No. 14 – Sustainability Reporting (Trial) and the newly revised Appendix C2 to the Hong Kong Listing Rules. Besides, according to the records maintained by the Company, all of the Directors also attended training courses organized by relevant regulatory authorities, covering topics related to the anti-fraud performance, special compliance training for independent directors, and the post-listing continuous training.

V. Corporate Governance Policies and Functions

During the Reporting Period and as at the end of the Reporting Period, the Company has formulated the Articles of Association, Rules of Procedure for The General Meeting, Rules of Procedure for The Board, Rules of Procedure for The Supervisory Committee, Working Rules for The General Manager, Working Rules for The Independent Director, Working Rules for The Secretary to The Board, Rules for Management of Information Disclosure, Related Transaction Management Measures, Internal Audit System, Risk Assessment Management System, Rules for The External Guarantee Management, Investor Relationship Management System, Measures for The Management of Shareholding Changes of Directors, Supervisors and Senior Managers, Subsidiary Management System and other corporate governance policies.

CORPORATE GOVERNANCE REPORT

The Board performs or authorizes Board committees to perform its functions in accordance with the regulatory rules of the place where the Shares are listed and internal policies such as the Articles of Association, which include duties under code provision A.2.1 of the Corporate Governance Code: (1) to develop and review the Company's policies and practices on corporate governance; (2) to review and monitor the training and continuous professional development of Directors and senior management; (3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (4) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and (5) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

CHAIRMAN AND GENERAL MANAGER

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of the Chairman and the chief executive officer (the Company's General Manager) should be segregated and should not be performed by the same individual. During the Reporting Period, Dr. Hou Yongtai acted as the Chairman and Mr. Wu Jianying acted as the General Manager. The Chairman and the General Manager do not have any relationships (including financial, business, family or other material relationship connected with each other). The Articles of Association have defined the division of roles and duties between the Chairman and the General Manager.

BOARD COMMITTEES

There are four committees under the Board, namely, Audit Committee, Remuneration and Review Committee, Nomination Committee, and Strategy and Sustainable Development Committee.

I. Audit Committee

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, re-appointment and change of the auditor, approve the remuneration and terms of engagement of the auditor, review and monitor the auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, develop and implement policies on engaging the auditor to provide non-audit services, review the Company's financial information, guide and supervise the internal audit, and oversee the Company's financial reporting system, risk management and internal monitoring system, Its terms of reference have been specified in writing and are available on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Audit Committee consists of five Directors, namely Mr. Shen Hongbo (Independent Non-executive Director), Ms. You Jie (non-executive Director), Mr. Jiang Zhihong (Independent Non-executive Director), Mr. Su Zhi (Independent Non-executive Director) and Mr. Zhao Lei (Independent Non-executive Director), and one of them (i.e. Mr. Shen Hongbo) is an Independent Non-executive Director who possesses appropriate accounting or related financial management expertise as required under Rule 3.10(2) of the Hong Kong Listing Rules. Mr. Shen Hongbo is the chairman of the Audit Committee.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Audit Committee held 6 meetings in total to review (1) the audited financial statements and annual report for the year ended 31 December 2023, (2) financial statements for the first quarter of 2024, (3) the unaudited interim financial statements and interim report for the six months ended 30 June 2024, (4) financial statements for the third quarter of 2024, (5) the ESG report for 2023, (6) the onshore and offshore audit firms' expenses in 2023, and re-appointment of onshore and offshore audit firms in 2024, (7) the 2023 work summary and 2024 work plan of the audit department of the Company, (8) Internal Control Evaluation Report for 2023, and (9) amendments to Working Rules of the Audit Committee, etc. The table below sets out the details of attendance of each member at meetings of the Audit Committee held during the Reporting Period:

Name	Meetings attended/ meetings eligible to attend
Ms. You Jie	6/6
Mr. Shen Hongbo	6/6
Mr. Jiang Zhihong	6/6
Mr. Su Zhi	6/6
Mr. Zhao Lei	6/6

II. Remuneration and Review Committee

The Remuneration and Review Committee has adopted the second model described in paragraph E.1.2(c) of Part 2 of Appendix C1 to the Hong Kong Listing Rules (i.e. making recommendation to the Board on the remuneration package of individual executive Director and senior management member). The primary duties of the Remuneration and Review Committee include: formulating job description, performance evaluation system and target, remuneration system and standards for the Company's members of the senior management; formulating share incentive scheme for the Company's Directors, Supervisors and members of the senior management pursuant to relevant laws, regulations or normative documents; making recommendations to the Board on remuneration policy and structure for the Company's Directors and members of the senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, and making recommendations to the Board, from time to time, on total remuneration and/or interests that have been granted to Directors and members of the senior management; making recommendations to the Board on the remuneration of non-executive Directors; and such other matters authorized by the Board. Its terms of reference have been specified in writing and are available on the websites of the Hong Kong Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Remuneration and Review Committee consists of five Directors, namely Mr. Su Zhi (independent non-executive Director), Mr. Wu Jianying (executive Director), Mr. Huang Ming (non-executive Director), Mr. Shen Hongbo (Independent Non-executive Director) and Mr. Zhao Lei (Independent Non-executive Director) among which, Mr. Su Zhi is the chairman of the Remuneration and Review Committee.

During the Reporting Period, the Remuneration and Review Committee held 3 meetings to review the remuneration of Directors and senior management in 2023 and remuneration plan of Directors, Supervisors and senior management in 2024, to review the proposal on lapsing part of non-vested Restricted Shares granted under the 2021 Restricted A Share Incentive Scheme and the proposal on satisfying with attribution conditions for the second attribution period of the First Grant under the 2021 Restricted A Share Incentive Scheme, and debriefed the report in 2023 annual performance appraisal work of participants under the 2021 Restricted A Share Incentive Scheme. The table below sets out the details of attendance of each member at the meeting of the Remuneration and Review Committee held during the Reporting Period:

Name	Meetings attended/ meetings eligible to attend
Mr. Wu Jianying	3/3
Mr. Huang Ming	3/3
Mr. Shen Hongbo	3/3
Mr. Su Zhi	3/3
Mr. Zhao Lei	3/3

III. Nomination Committee

The primary duties of the Nomination Committee include: making recommendations to the Board on the size and composition of the Board and the management based on the Company's business operation, asset scale and shareholding structure, and reviewing the structure, size and composition of the Board at least annually, and taking diverse factors into account when reviewing the composition of the Board; making recommendations to the Board on the appointment, re-election and succession planning of directors; assessing the independence of Independent Non-executive Directors and formulating policies relating to the diversity of members of the Board. Its terms of reference have been specified in writing and are available on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Nomination Committee consists of five Directors, namely Mr. Zhao Lei (Independent Non-executive Director), Mr. Hou Yongtai (executive director), Ms. You Jie (non-executive Director), Mr. Shen Hongbo (independent non-executive Director) and Mr. Su Zhi (Independent Non-executive Director). Mr. Zhao Lei is the chairman of the Nomination Committee.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Nomination Committee held one meeting to review the structure, size and composition of the Board. The table below sets out the details of attendance of each member at meetings of the Nomination Committee held during the Reporting Period:

Name	Meetings attended/ meetings eligible to attend
Mr. Hou Yongtai	1/1
Ms. You Jie	1/1
Mr. Shen Hongbo	1/1
Mr. Su Zhi	1/1
Mr. Zhao Lei	1/1

Nomination Policies and Procedures

Pursuant to the requirements of the Articles of Association, Directors (including non-executive Directors) shall be elected at the general meeting with a term of three years. A Director shall be eligible for re-election on the expiry of each term.

The Company has put in place a Director nomination policy. For evaluating and determining the candidates of Directors, the Nomination Committee and the Board of Directors shall consider the following factors: personal characters; professional qualifications, skills, knowledge, and experience related to the Group's business and strategy; willingness to devote sufficient time to fulfill the duties of the Directors and members of the special committees of the Board of Directors; whether their appointment is in compliance with the requirements of the Listing Rules of the places where the Shares are listed regarding the Board and Directors (including the independence requirements of the Independent Non-executive Directors); whether their appointment is in compliance with the Company's Board diversity policy and any measurable targets adopted by the Nomination Committee to diversify the members of the Board.

The Company has implemented a set of effective procedures for appointment of new Directors. The nomination of new Directors shall be first deliberated by the Nomination Committee and then submitted to the Board, subject to approval by election at the general meeting. The nomination procedures for Company Directors include:

1. Nomination procedures for appointment of new Directors

Upon receipt of the proposal on appointment of new Director and the biographical information of the candidate, the Nomination Committee shall require the nominee to submit biographical information and the consent to be appointed as a Director, and evaluate the candidate based on the criteria for Director selection to determine whether such candidate is qualified for directorship. The Nomination Committee shall then make recommendations to the Board on the appointment of a suitable candidate to serve as a Director; if an Independent Non-executive Director is to be appointed, the recommendations should include the process of identifying the candidate, the reasons for recommending the candidate, the independence of the candidate, the views, perspectives, skills and experience that the candidate can bring to the Board, the candidate's role in promoting the diversity of Board members, etc.

CORPORATE GOVERNANCE REPORT

2. Re-election of Directors at Shareholders' meeting

The Nomination Committee shall review the overall contribution and service to the Company of the retiring Directors, including its attendance at Board meetings and general meetings (if applicable), and his/her level of participation and performance on the Board. The Nomination Committee shall require the nominee to submit biographical information and the consent to be appointed as a Director; and shall review and determine whether retiring Directors still meet the criteria for Director selection. The Nomination Committee shall then make recommendations to the Board on the re-election of Directors; if an Independent Non-executive Director is to be re-elected, the recommendations should include the process of identifying the candidate, the reasons for recommending the candidate, the independence of the candidate, the views, perspectives, skills and experience that the candidate can bring to the Board, the candidate's role in promoting the diversity of Board members and etc.

IV. Strategy and Sustainable Development Committee

The primary duties of the Strategy and Sustainable Development Committee are to conduct research on the Company's long-term development strategies and significant investment decisions, assist the Board in managing sustainable development and ESG-related matters and make recommendations to the Board.

During the Reporting Period, the Strategy and Sustainable Development Committee consists of five Directors, namely Dr. Hou Yongtai (executive Director), Mr. Wu Jianying (executive Director), Mr. Huang Ming (non-executive Director), Ms. You Jie (non-executive Director) and Mr. Yang Yushe (Independent Non-executive Director). Ms. You Jie is the chairlady of the Strategy and Sustainable Development Committee.

During the Reporting Period, the Strategy and Sustainable Development Committee held 3 meetings to review the 2023 work report of the Board, the proposal on granting general mandate to the Board to repurchase H Shares, 2024 action plan of "Improving Quality, Increasing Efficiency and Enhancing Returns", the second plan on the repurchase of A Shares of the Company through centralized bidding trading, and amendments to Working Rules of the Strategy and Sustainable Development Committee. The table below sets out the details of attendance of each member at meetings of the Strategy and Sustainable Development Committee held during the Reporting Period:

Name	Meetings attended/ meetings eligible to attend
Mr. Hou Yongtai	3/3
Mr. Wu Jianying	3/3
Mr. Huang Ming	3/3
Ms. You Jie	3/3
Mr. Yang Yushe	3/3

CORPORATE GOVERNANCE REPORT

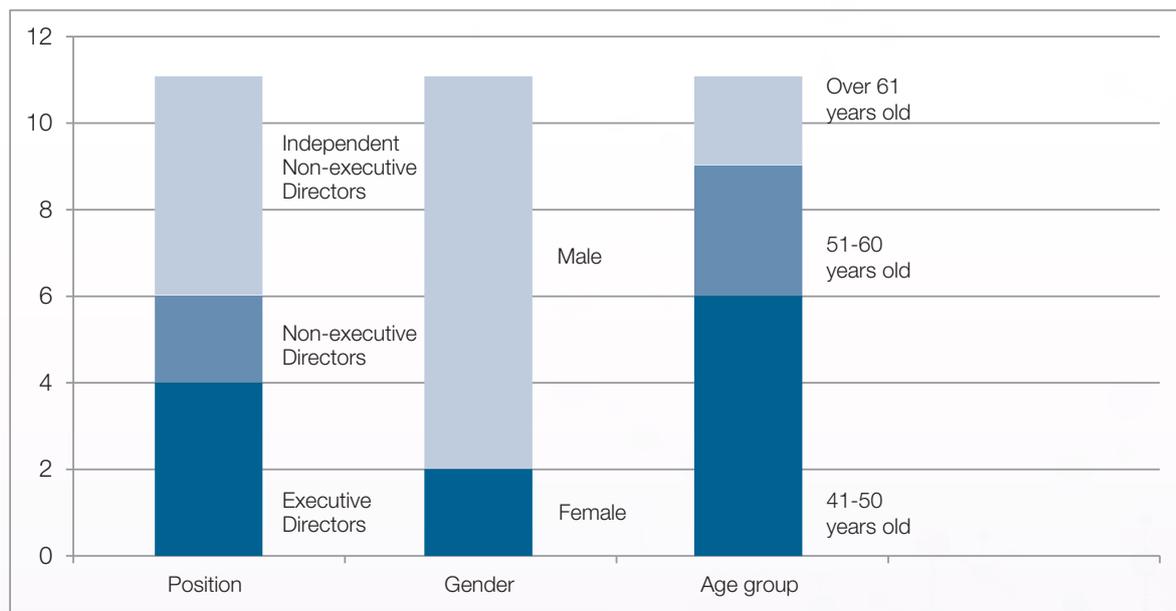
DIVERSITY POLICY

The Company has prepared a board diversity policy (the “Diversity Policy”) and submitted to the Board for approval. The policy is summarized as below:

The Diversity Policy specifies that in designing the composition of the Board, Board diversity shall be considered from a number of aspects, including but not limited to the gender, age, cultural and educational background, professional experience, skills and knowledge. The appointment of Directors will be based on meritocracy, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to the gender, age, culture, ethnicity and educational background, professional experience, knowledge and skills.

The Nomination Committee will disclose the composition of the Board in the Corporate Governance Report every year and supervise the implementation of this Diversity Policy. The Nomination Committee will review the effectiveness of this Diversity Policy in due course and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 73 to page 77 of this annual report.



CORPORATE GOVERNANCE REPORT

The Company's measurable objectives is that: in addition to meeting the requirements of the Company Law, the STAR Market Listing Rules, and the Hong Kong Listing Rules, the selection of candidates will be based on a range of diversified areas, including but not limited to the gender, age, professional experience, education background and term of service. The final decision will be based on the strengths of the candidate and the contributions he can make to the Board. During the Reporting Period, the Nomination Committee has reviewed the diversity of the structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable and maintain the diversity in aspects of gender, age, experience and skills. The Nomination Committee considers that the Board has maintained an appropriate balance in all aspects of member diversity (including the proportion of women members), and satisfy with the current situation.

As at 31 December 2024, the Company has a total of 4 senior management (excluding Directors and Supervisors), including 2 males and 2 females. The Group has a total of 2,156 employees, among which 1,142 are female and 1,014 are male, and the gender ratio is balanced. The Group advocates gender diversity of employees, conducts comprehensive evaluation of talents from professional quality and work skills in the recruitment, and opposes gender discrimination.

SUPERVISORY COMMITTEE

The Supervisory Committee is a supervisory agency of the Company which is responsible for the supervision of the Board and its members and senior management such as the general manager and deputy general manager so as to prevent them from the misuse of authority and infringement of lawful rights of the Shareholders, the Company and the Company's employees. The number of members and the composition of the Supervisory Committee are in compliance with the provisions and requirements of the laws, regulations and the Articles of Association. During the Reporting Period, the Supervisory Committee consisted of five Supervisors, of whom two were employee representative Supervisors democratically elected by our employees. The background and biographical details of the Supervisors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this annual report.

During the Reporting Period, the Supervisory Committee held 6 meetings and mainly reviewed the audited financial statements and annual report for the year ended 31 December 2023, reviewed the unaudited interim financial statements and interim report for the six months ended 30 June 2024, reviewed financial statements for the first quarter and the third quarter of 2024, supervised the use of proceeds from the A Shares Offering, and reviewed matters related to 2021 Restricted A Share Incentive Scheme.

JOINT COMPANY SECRETARIES

Mr. Chiu Ming King, the managing director of corporate services of Vistra Corporate Services (HK) Limited (an external service provider), has been appointed as a joint company secretary of the Company, effective from 17 November 2014. Ms. Tian Min is another joint company secretary of the Company, who acts as the main contact person of Mr. Chiu Ming King and the internal departments of the Company.

In compliance with Rule 3.29 of the Hong Kong Listing Rules, Ms. Tian Min and Mr. Chiu Ming King both undertook not less than 15 hours of relevant professional training to improve their skills and knowledge during the year ended 31 December 2024.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors and Supervisors of the Company. Having made specific enquiries of all Directors and Supervisors, all of them confirmed that they have complied with the required standards set out in the Model Code during the Reporting Period.

INTERNAL CONTROL, AUDIT AND RISK MANAGEMENT

In accordance with D.2 of the code provisions set out in the Corporate Governance Code, the Board has established a risk management and internal control system, which are designed to manage rather than eliminate the risk of failure to achieve business objectives. The Board acknowledges its responsibility for the effectiveness of the Group's risk management and internal control system and the Directors are responsible for regularly reviewing the Group's internal control and risk management system to ensure its effectiveness and efficiency. Such risks would include, but not limited to, material risks relating to ESG.

The key features of the Group's risk management and internal control system are a clear governance structure and a clear division of responsibilities. The Group's risk management and internal control involves joint work of the Board and its special committees, the audit department and the management. The Board is responsible for maintaining a robust and effective risk management and internal control system, and assessing the effectiveness of the said system annually through the Audit Committee, which shall cover all significant monitoring including finance, operation and compliance monitoring as well as risk management function. The Audit Committee is responsible for assisting the Board in monitoring the Group's risk management and internal control system, and reviewing and discussing with the management annually to ensure the discharging of duties by the management so as to maintain the effectiveness of the said system, and is responsible for considering the important survey results in relation to risk management and internal control and making recommendations to the Board. The audit department, the executive body for the work of the Audit Committee, is responsible for facilitating the effective operation and management of the Company and providing support to the Board and the Audit Committee in discharging their duties. During the Reporting Period, the Company changed the name of the Strategy Committee to the Strategy and Sustainable Development Committee, and revised the main duties of the Strategy and Sustainable Development Committee, whereby the Strategy and Sustainability Development Committee is mandated by the Board to review and monitor the Company's sustainable development and ESG-related impacts, risks and opportunities, and assess the extent to which the relevant risks and opportunities affect the Company. The management is responsible for organizing and leading the daily operation of the Group's internal control and risk management, and reporting to the Board and its special committees.

Based on the effective risk management and internal control system, the Group is able to timely identify the risks that may be faced in the course of operation, such as supply chain security, R&D and intellectual property protection, product quality and safety, human resources and environmental management, and make targeted mitigation plans and coping strategies after assessing the risks.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Group evaluated the effectiveness of its risk management and internal control system by carrying out internal control self-evaluation and special audit projects. Among them, the internal control self-evaluation refers to a total of 13 important items, such as corporate governance, strategy and risk management, and social responsibility. After self-evaluation, we have not identified any material or significant risk control defects in our internal control system, and maintained effective internal controls in all material aspects. For 8 general defects and management improvement issues found in the internal control evaluation, we have gradually made targeted improvements according to the specific circumstances to ensure that the realization of the Group's internal risk control objectives will not be affected. In the event of significant internal control defects of the Group, the audit department will analyze and report them to the Board, who, depending on the nature of the material deficiency, will work with the management to address such defects in terms of system design and implementation. In addition, in accordance with the decision of the Board, the audit department organized and carried out six special audit projects during the Reporting Period, including internal control audits of Shanghai Likangrui, Songjiang production base and Shanghai Qisheng R&D management, Henan Universe's internal control audits, re-evaluation and revision of internal control policies, and business investigation to Haoleyuan. On 21 March 2025, the Audit Committee and the Board reviewed and approved the Company's 2024 Internal Control Self-evaluation Report, and the Board assessed the effectiveness of internal controls for 2024. The Board considered that the Group's internal control system is sound and effectively implemented, and no material defects in the design or implementation of the Company's internal control were identified.

The Company has formulated Rules for Management of Information Disclosure and Rules for Management of The Insider to regulate inside information management. The Board leads the information disclosure affairs, in particular, the secretary of the Board takes charge of organizing and implementing information disclosure affairs. The secretary of the Board shall report to the Board immediately upon receiving inside information, and the Board shall decide whether to release the information or not. The Company has formulated the Subsidiary Management System to further standardize the details of the internal reporting requirements for subsidiaries' major matters.

SIGNIFICANT RISKS

The Group's financial position, operating results and business prospect may be directly or indirectly affected by a series of risks and uncertainties relating to the businesses of the Group. During the Reporting Period, there was no change in the nature and extent of major risks faced by the Group. The potential risks taken by the Group are set out below:

I. Core Competitiveness Risk

The technological advancement of products is the basis for forming the Group's core competitiveness. However, in recent years, the field of biomedical materials has developed rapidly, and technical capabilities have been continuously upgraded. If breakthrough new technologies or products appear internationally or domestically in the indication area of the Group's products in the future, the failure of the Group in adjusting its technical route in a timely manner may cause the Group's technological level to lag behind, which will adversely affect the competitiveness of its products in the market.

CORPORATE GOVERNANCE REPORT

In order to maintain and strengthen its core competitiveness, the Group continued to focus on the major technology R&D platforms of IOL, refractive lens and optical materials, medical chitosan, medical sodium hyaluronate/sodium hyaluronate, and hEGF technology, to develop new products in related fields. However, the R&D of biomedical materials has the characteristics of long cycle, high technical difficulty, large capital investment, high added value and return, and long product market life cycle. If the R&D project fails to make R&D results, or the market acceptance of the new product developed does not meet expectations, it will adversely affect the long-term core competitiveness of the Group and create uncertainty on the Group's profitability and operating results.

II. Operating Risk

In recent years, adverse reactions caused by the safety of pharmaceutical products have received close attention from the whole society. If the Group fails to strictly abide by the production safety system, which may lead to quality problems or adverse reactions of the Group's products, it will cause the Group to face the risks of compensation, product recall and administrative penalties, which will adversely affect the Group's operating performance and reputation.

At present, the Group's main business areas are characterized by broad market prospects and high gross profit levels. However, this will also attract new enterprises into these areas, which will intensify market competition in the medium and long term. The Group's market share and gross profit margin are affected by the intensified market competition, which in turn affects profitability.

In recent years, in order to complete the industrial chain layout of the Group, the Group has conducted a number of upstream and downstream industry mergers and acquisitions and investments around its main business, forming a certain scale of goodwill. If the integration effect of the company or business acquired fails to meet expectations in the future, adverse changes in operating conditions may cause the Group to make provision for impairment of the goodwill generated by the acquisitions and adversely affect the Group's performance. If the invested enterprise fails to get the expected performance or operates poorly, the Group will face the risk of investment loss or failure to recover the funds.

III. Industry Risk

At present, the reform of China's medical and health system is gradually deepening, involving the approval, registration, manufacturing, packaging, licensing, and sales of medicine and medical devices. Major industry policies such as the basic list of medicines, list of medicines, the "Two-Invoice System", and large-scale procurement have been introduced. If the Group fails to make timely adjustments in accordance with the ongoing regulatory policies of the pharmaceutical industry, it may lead to increased compliance costs and reduced product demand of the Group, which will adversely affect the Group's financial position and operating performance.

CORPORATE GOVERNANCE REPORT

IV. Macro Environmental Risk

The growth of the Group's performance has benefited in part from the improvement of Chinese residents' payment ability and health awareness, which in turn is reflected in the continued growth of China's biopharmaceutical industry. If the overall growth rate of the biopharmaceutical industry slows down in the future, or if public events that are adverse to the quality of the biopharmaceutical industry or related to public safety affect the overall image of the industry, it may cause the market demand for the Group's products to slow down, thereby adversely affecting the financial position and operating performance of the Group.

Internationalization is one of the key strategies for the development of the Group. The Group has acquired a number of companies overseas to promote the transfer of advanced technologies and products to China. If the overseas business conditions are affected by major changes in the laws and regulations, industrial policies or political and economic environment of the country and region where the overseas business is located, or unforeseen factors such as tension in international relations, war, trade sanctions or other force majeure, the normal development and sustainable development of the Group's overseas business may potentially be adversely affected.

AUDITORS AND THEIR REMUNERATIONS

At the 2023 annual general meeting convened on 29 May 2024, the Company approved the appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the Company's domestic and international auditors for 2024, respectively, and authorized the Board to fix their respective remunerations; approved the appointment of Ernst & Young Hua Ming LLP as the internal control auditor for 2024 to conduct annual audit on the Company's internal control and issue internal control audit report, and authorized the Board to fix its remuneration.

The remuneration paid to the external auditors of the Company in respect of audit services for the annual report for the year ended 31 December 2024 was RMB2.71 million. And the remuneration paid to external auditors in respect of non-audit services was RMB0.19 million, relating to consultation services.

In respect of the matters relating to the selection, appointment, resignation or dismissal of the external auditors, the Board concurs with the view of the Audit Committee.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITY OF THE DIRECTORS AND AUDITORS FOR THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibility for preparing the financial statements for the year ended 31 December 2024 which give a true and fair view of the state of affairs of the Group as at 31 December 2024 as well as its profit and cash flows during the Reporting period. The accounts of the Company were prepared in accordance with all relevant regulations and applicable accounting principles. In preparing these consolidated financial statements, the Directors selected and applied suitable accounting policies and made accounting estimates that are reasonable in the circumstances. Moreover, the consolidated financial statement has been prepared on the assumption that the Company will continue as a going concern. The Directors are responsible for keeping proper financial records which disclose with reasonable accuracy the financial position of the Group at any time. The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment on the Group's financial information and status, which are submitted to the Board for approval.

Ernst & Young, the auditors of the Company, have set out their responsibility in the independent auditors' report as set out on pages 80 to 85 in this annual report.

INVESTOR RELATION

Articles of Association

In view that (1) the State Council published the "Decision of the State Council to Repeal Certain Administrative Regulations and Documents" (《國務院關於廢止部分行政法規和文件的決定》), and the CSRC published the "Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies" (《境內企業境外發行證券和上市管理試行辦法》), accordingly, the "Special Regulations of the State Council on the Overseas Securities Offering and Listing of Shares by Joint Stock Limited Companies" (《國務院關於股份有限公司境外募集股份及上市的特別規定》) and the "Mandatory Provisions for Articles of Association of Companies to be Listed Overseas" (《到境外上市公司章程必備條款》) were abolished; (2) the Hong Kong Stock Exchange amended the Hong Kong Listing Rules based on the aforementioned new regulations with effect from 1 August 2023; (3) the CSRC also published the "Measures for the Administration of Independent Directors of Listed Companies" (《上市公司獨立董事管理辦法》) in August 2023, and amended the "Guidelines to Articles of Association of Listed Companies" (《上市公司章程指引》) in December 2023; and (4) the Company is planning to amend its scope of operation to reflect its actual business development. Based on the aforementioned situations and taking into account the Company's actual operation and management needs, the Board proposed to amend relevant provisions in the Articles of Association to continuously comply with relevant regulatory requirements through its meeting held on 8 March 2024. Please refer to the announcement of the Company dated 8 March 2024 for details of the above proposed amendments.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, due to the cancellation of the repurchased H Shares, the implementation of the Capitalization Issue and the 2021 Restricted A Share Incentive Scheme, the Company changed its total share capital and registered capital several times, and amended the Articles of Association accordingly. Details of the amendments are set out in the Company's announcements dated 2 February 2024, 16 August 2024 and 19 August 2024.

Apart from the above, there had not been any significant changes in the Articles of Association during the Reporting Period and as of the date of this annual report. The current valid Articles of Association is available on the websites of the Hong Kong Stock Exchange and that of the Company.

Shareholder Communication Policy

The Company has formulated Investor Relationship Management System, Information Disclosure Management System and other policies related to the investor relationship management to guide investor relationship management by regulating information collection and disclosure, as well as clarifying investor relationship working principles, communication methods and main responsibilities. Having considered the various channels of communication and the participation of the Shareholders at the general meetings held during the Reporting Period, the Board considers that the foregoing policies were properly implemented and effective during the Reporting Period.

The Company accepts investors' visit appointments through the public email and the visit reservation function of the official enterprise WeChat channel. In terms of communication channels with investors, the general meeting of Shareholders, results release conferences, investor briefings, roadshows and reverse roadshows, analyst meetings, institutional investors reception, and symposiums have always been the main ways for the Company to communicate with investors. During the Reporting Period, the Company organized a total of 50 online and offline investor communication meetings and received 575 institutional investors. In addition, the Company ensures timely responses to the concerns of small and medium-sized investors through channels such as the investor relations hotline, public email, and the "SSE e-networking (上證e互動)" platform.

The Board welcomes Shareholders' views and encourages them to attend general meetings to convey any concerns they might have to the Board or the management. Chairman of the Board and the chairmen of all committees (or their proxy) will attend the annual general meeting and other general meetings. At the general meeting, all shareholders attending the meeting may make enquires to the Directors and other management in respect of matters relevant to the resolutions. The Company has published detailed contact methods through its website, notices of the general meeting, circulars to the Shareholders and annual reports for Shareholders to express their views or make enquiries.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Hou Yongtai (侯永泰), aged 63, is the chairman and executive Director of the Company. Dr. Hou engaged in postdoctoral research at the pharmacology department of University of Pennsylvania in the U.S. from July 1992 to October 1995. Thereafter, he served as a research investigator at the department of cell and developmental biology of the University of Michigan in the U.S. from 1998 to 2000. From August 2000 to August 2003, he served as a researcher and doctoral degree supervisor at Shanghai Institute of Materia Medica, Chinese Academy of Sciences (中國科學院上海藥物研究所), where he was mainly responsible for establishing screening models for cancer drugs and the application of new biotechnologies (such as RNA interference) on new drugs development. He also served as the overseas manager of the strategy and investment committee at Shanghai Pharmaceutical (Group) Co., Ltd, a company principally engaged in investments, research in pharmaceutical products, medical devices, as well as manufacturing and sale of medical devices from July 2003 to June 2004 and was mainly responsible for assisting its formulation of overseas strategies and implementing its external relations and coordination. During July 2000 to June 2004 and April 2005 to March 2008 at Shanghai Huayuan Life Sciences Research and Development Company Limited (上海華源生命科學研究開發有限公司) (“Shanghai Huayuan”), he served various positions such as the deputy general manager and the director of the research and development division. He was mainly responsible for formulating product development strategies, establishing its development team and development base as well as implementing its product research and development plans. He has also served as the chairman of Shanghai Qisheng from December 2007 to August 2010, and has been appointed as a director of Shanghai Likangrui since August 2022. He served as the chairman of Haohai Limited, the predecessor of the Company, from September 2009 to the date of conversion of the Company in July 2010. He has been appointed as the chairman and Director of the Company since July 2010, and was redesignated as an executive Director on 7 December 2014. Dr. Hou obtained a master’s degree and a Ph.D. degree from Ohio University in the U.S. in March 1987 and August 1992, respectively.

Mr. Wu Jianying (吳劍英), aged 61, is an executive Director and general manager of the Company. Mr. Wu worked as a surgeon at the General Surgery Department of the Second Affiliated Hospital of the Second Military Medical University (第二軍醫大學第二附屬醫院普外科) from 1991 to 1999. He thereafter worked at Shanghai Huayuan from March 2003 to February 2004, at the Shanghai branch of China Huayuan Life Industry Limited (中國華源生命產業有限公司上海分公司) from February 2004 to May 2005 and at Cinkate Pharmaceutical and Chemical Intermediates (Shanghai) Company Limited (欣凱醫藥化工中間體(上海)有限公司), a company principally engaged in development and production of pharmaceutical and chemical intermediates, as well as selling its own products and providing relevant technical advisory services from May 2005 to July 2007. He served as the general manager at Haohai Limited from July 2007 to June 2010. He has served as the general manager at Shanghai Qisheng since August 2010, and served as the director of Haohai Holdings since July 2015, the director of Henan Universe since August 2015, the director of Haohai Development since February 2016. He served as the director of Haohai Healthcare Holdings (Cayman) Co., Ltd., an indirectly wholly-owned subsidiary of our Company since May 2016, the director of Haohai Healthcare Holdings (BVI) Co., Ltd., an indirectly wholly-owned subsidiary of our Company since August 2016, the chairman of NIMO since November 2016 and the general manager of NIMO since January 2022, and the director of Contamac since June 2017, and the director of Haohai Aesthetic Holdings (BVI) Co., Ltd., a subsidiary of our Company since November 2017. He also served as a director of Shanghai Pacific Biological Technology Co., Ltd. (上海太平洋生物高科技有限公司) and Shanghai Pacific Pharmaceutical Co., Ltd. (上海太平洋藥業有限公司), subsidiaries of the Company since May 2018, and a chairman of Hangzhou Aijinglun since April 2020. He also served as the director of International Optical Innovation Holdings Co., Limited, a subsidiary of the Company

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

since November 2020, and the director of Art Vision Technology Co., Limited, a subsidiary of the Company since January 2021. He also served as the chairman of Brighten Vision since April 2021 and the general manager since March 2023, and the chairman of Nanpeng Optics since January 2022. He was retired as the general manager of Shanghai Likangrui and served as the chairman of Shanghai Likangrui in August 2022, and has served as a director of Haoleyuan since November 2022, and has served as a director of Shanghai Haohai Intelligent Manufacturing Optometry Technology Co., Ltd.* (上海海昊海智造視光技術有限公司), a subsidiary of the Company since June 2023, and has served as a chairman of Shenhao Eyehealth since March 2024. He has been appointed as the Director and general manager since July 2010, and was redesignated as an executive Director on 7 December 2014. Mr. Wu obtained a master's degree in clinical medicine from the Second Military Medical University in June 1997 and the practicing doctor qualification in the PRC in May 1999.

Ms. Chen Yiyi (陳奕奕), aged 43, is an executive Director of the Company. Ms. Chen joined the marketing department of Haohai Chemical, a company principally engaged in the production and sale of polyurethane composite duct in July 2006 and worked as the marketing manager and assistant to general manager from January 2007 to December 2009. She retired as the supervisor of Henan Universe and worked as the general manager in December 2024. She has also served as a director of NIMO since November 2016, a director of Qingdao Huayuan since April 2018, a director of Henan Simedice, a subsidiary of the Company since February 2019, and a director of Hangzhou Aijinglun since April 2020, and a supervisor of Zhuhai Eyegood Vision Technology Co., Ltd. (珠海艾格視光科技有限公司), a subsidiary of the Company since September 2020. She also served as the director of Art Vision Technology Co., Limited, a subsidiary of the Company since January 2021, the director of Brighten Vision since April 2021, the director of Nanpeng Optics since January 2022, and the director of Haohai Holdings since July 2023, and the director of Shenhao Eyehealth since March 2024. She has been appointed as the Director since July 2010, and was redesignated as an executive Director on 7 December 2014. Ms. Chen obtained a bachelor of arts in June 2004 and a Master of arts in June 2006 from Huazhong University of Science and Technology.

Mr. Tang Minjie (唐敏捷), aged 49, is an executive Director of the Company. Mr. Tang joined the Company in August 2016, and became a director of NIMO since November 2016. Mr. Tang was appointed as the chief financial officer of the Company on 9 December 2016 and as an executive Director on 14 February 2017, and serves as the director of Contamac since June 2017, the director of Brighten Vision since April 2021, and the director of Nanpeng Optics since January 2022, and the director of Haohai Holdings since April 2023. Prior to joining the Company, he worked at Ernst & Young during the period from August 1998 to July 2016 and most recently served as an audit partner from July 2010 to July 2016. Mr. Tang obtained a bachelor degree in economics from the former international business school of the University of Shanghai in July 1998, and was qualified as a certified public accountant ("CPA") in the PRC in June 2000 and CPA in the United States in June 2006.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Ms. You Jie (游捷), aged 62, is a non-executive Director. She worked as a clinician at the Department of Oncology, Longhua Hospital, Shanghai University of Traditional Chinese Medicine (上海中醫藥大學附屬龍華醫院腫瘤科) from July 2004 to July 2014. She worked at the Shanghai Ninth People's Hospital, Shanghai Jiaotong University School of Medicine (上海交通大學醫學院附屬第九人民醫院) from August 2014 to July 2022, and was a chief physician and doctoral supervisor at Shanghai Jiaotong University School of Medicine. She also held a position as a director of Shanghai Haolan Corporate Management Co., Ltd (上海昊瀾企業管理有限公司) since January 2018. She has been appointed as a Director since July 2010, and was redesignated as a non-executive Director on 7 December 2014. She obtained a clinical doctorate degree from Shanghai University of Traditional Chinese Medicine (上海中醫藥大學) in July 2004 and the practicing doctor qualification in the PRC in May 1999. Ms. You is the spouse of Mr. Jiang Wei, a controlling Shareholder of the Company.

Mr. Huang Ming (黃明), aged 49, is a non-executive Director of the Company. He has been serving as a supervisor of Shanghai Qisheng since December 2007, a supervisor of Shanghai Jianhua during the period from November 2007 to January 2025. He served as the supervisor of Haohai Development since February 2016, and the director of Contamac since June 2017. He also has served as an associate researcher at Fudan University since October 2017. He also served as a supervisor of Shanghai Pacific Biological Technology Co., Ltd. and Shanghai Pacific Pharmaceutical Co., Ltd., subsidiaries of the Company since May 2018. He worked as Secretary of the Board of the Company from October 2010 to December 2019, as our joint company secretary from November 2014 to December 2020, respectively. He has been appointed as the Director since July 2010, was re-designated as an executive Director on 7 December 2014, and was re-designated as a non-executive Director on 19 December 2019. Mr. Huang, with former name Huang Ping (黃平), obtained a bachelor of laws in July 1998 and a master of laws in June 2005 from East China University of Political Science and Law (華東政法大學), and a doctoral degree in corporate management from Fudan University in June 2011. He obtained his lawyer qualification in May 1999.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jiang Zhihong (姜志宏), aged 56, has been an Independent Non-executive Director since 29 June 2020. He is currently the vice president and the chair professor of Macau University of Science and Technology. Mr. Jiang conducted post-doctor research work in the Department of Biochemistry and Molecular Pharmacology of Harvard Medical School in the United States during the period from November 1999 to September 2001. Mr. Jiang has served successively as an assistant professor, associate professor and professor at the School of Chinese Medicine in Hong Kong Baptist University during the period from October 2001 to June 2011. Mr. Jiang graduated from Nagasaki University in Japan with a doctor degree in pharmacy in 1998.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Shen Hongbo (沈紅波), aged 46, served as an Independent Non-executive Director since 29 December 2023. He is currently a professor and a tutor for students of doctoral degree in the Faculty of Economics of Fudan University. From March 2007 to March 2009, he pursued post-doctorate research work in the Faculty of Finance of Tsinghua University, and he was a visiting scholar in the Harvard Business School from January 2009 to February 2009. He has served as an independent non-executive director of the Company from October 2014 to June 2020; he has served as an independent director of STO Express Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002468) from December 2016 to December 2022. He has been serving as an independent director of Jiangsu Lianyungang Port Co., Ltd. (a company listed on the SSE, stock code: 601008) since April 2020. He has been serving as an independent director of ANBANG Save-Guard Group Co., Ltd. (a company listed on the SSE, stock code: 603373) since December 2020. Mr. Shen has obtained a PhD degree in Management (Accountancy) from Shanghai University of Finance and Economics in January 2007, and became a member of The Association of Chartered Certified Accountants (ACCA) of United Kingdom since January 2015.

Mr. Su Zhi (蘇治), aged 47, has been an Independent Non-executive Director since 29 June 2020. He has worked at the Central University of Finance and Economics (“CUFE”) (中央財經大學) since June 2009, is currently serving as professor and doctoral supervisor at the CUFE, and the chair professor and the head of the Department of Financial Technology of the School of Finance of CUFE. Mr. Su has been the deputy director of the academic committee of the Institute of International Technology and Economy under the Development Research Center of the State Council (國務院發展研究中心國際技術經濟研究所) since July 2018. Mr. Su has also worked as executive deputy director of CUFE & University of Electronic Science and Technology of China Joint Research Data Center (電子科技大學聯合數據研究中心) since March 2018. He has been an external supervisor of Bank of Guizhou Company Limited (貴州銀行股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 6199) since May 2018, and has been an independent director of Fujian Start Group Co., Ltd. (福建實達集團股份有限公司), a company listed on the SSE (stock code: 600734) since November 2021. He has been an external supervisor of Bank of Communications Co., Ltd., which is listed on both the SSE (stock code: 601328) and the Hong Kong Stock Exchange (stock code: 3328) since June 2022, and has been an independent director of Jilin Jlu Communication Design Institute Co., Ltd. (吉林吉大通信設計院股份有限公司), a company listed on the GEM of the Shenzhen Stock Exchange (stock code: 300597) since December 2022. Mr. Su obtained a doctor’s degree in economics majoring in quantitative economics from Jilin University in June 2006. He engaged in the finance research at the post-doctoral study station of the School of Economics and Management of Tsinghua University from April 2007 to May 2009.

Mr. Yang Yushe (楊玉社), aged 61, has been an Independent Non-executive Director since 29 June 2020. He has been working at the Shanghai Institute of Materia Medica, Chinese Academy of Sciences (“SIMM”) (中國科學研究院上海藥物研究所) since 1998, and is currently the doctoral tutor and second-level researcher of SIMM. His main research areas include original anti-infective drugs, anticoagulant drugs, and central nervous system drug research and development. His representative achievement is the successful development of China’s first new fluoroquinolone drug with independent intellectual property rights – Antofloxacin Hydrochloride in 2009. Mr. Yang won the second prize of the National Technology Invention Award (Rank first) in 2017, the first prize of the Shanghai Technical Invention Award (Rank first) in 2015, the Outstanding Achievement Award of Chinese Pharmaceutical Development for Innovative Medicine Award in 2013, and the title of Shanghai Advanced Worker in 2010 (Model Worker). Mr. Yang obtained a doctor degree in pharmacy from SIMM in 1996.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhao Lei (趙磊), aged 51, has been an Independent Non-executive Director since 29 June 2020. He is currently an associate director and researcher at the Commercial Law Office in the Institute of Law of the Chinese Academy of Social Sciences. Mr. Zhao has served successively as a lecturer and adjunct professor in Southwest University of Political Science and Law from 2005 to February 2013, and has served as an associate researcher at the Social Sciences in China Press of the Chinese Academy of Social Sciences from March 2013 to November 2016. Mr. Zhao has worked at the Institute of Law of the Chinese Academy of Social Sciences since December 2016. He has been serving as an independent director of Shenwan Hongyuan Group Co., Ltd., which is listed on both the Shenzhen Stock Exchange (stock code: 000166) and the Hong Kong Stock Exchange (stock code: 6806) since May 2021. He has served as an independent director at Chengdu Sino-Microelectronics Tech. Co., Ltd.* (成都華微電子科技股份有限公司), a company listed on the Sci-tech Innovation Board (stock code: 688709) from September 2021 to July 2024. He has served as an independent director at Triangle Tyre Co., Ltd.* (三角輪胎股份有限公司), a company listed on the SSE (stock code: 601163) since June 2023. Mr. Zhao obtained a doctor degree of Civil and Commercial Law from Southwest University of Political Science and Law in July 2007.

SUPERVISORS

Mr. Liu Yuanzhong (劉遠中), aged 56, is the chairman of the Supervisory Committee of the Company and a shareholder Supervisor. Mr. Liu joined Liming Research Institute of Chemical Industry (黎明化工研究院) in 1992 and served as an engineer from November 1997 to October 2001. He has been working as an engineer and was responsible for research and development of insulation and car high polymer material at Haohai Chemical from December 2001 until now. He has been appointed as our Supervisor since July 2010. Mr. Liu obtained a bachelor's degree in industrial analysis from the Department of Applied Chemistry of Beijing Institute of Chemical Technology (北京化工學院) in July 1992 and a master's degree in engineering from East China University of Science and Technology (華東理工大學) in June 2009.

Ms. Yang Qing (楊青), aged 53, is an independent Supervisor of the Company. Ms. Yang engaged in post-doctoral research at the Department of Economics of the University of Vienna in Austria from March 2005 to August 2005 and acted as a freeman fellow in the University of Cambridge and the University of York in England from September 2006 to September 2007, and acted as a freeman fellow in the University of Illinois at Urbana-Champaign in the U.S. from August 2011 to May 2012, and participated in visiting research in Princeton University from September 2019 to August 2020. She has joined Fudan University since July 2001 and was responsible for research and teaching work, and she is currently a professor in the School of Economics. She has been appointed as the Supervisor since October 2014. Ms. Yang obtained a bachelor's degree in management information system from Kunming University of Science and Technology (昆明理工大學) in July 1995 and a doctor's degree in management from Fudan University in July 2001.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Tang Yuejun (唐躍軍), aged 46, is an independent Supervisor of the Company. He has been an associate professor at the School of Management, Fudan University from September 2011 until present. He has also been acting as a master's degree supervisor of MBA and EMBA from January 2011 until present, a master's degree supervisor of corporate management from September 2012 until present. He acted as a visiting scholar at the Arizona State University WP Carey School of Business in US from August 2017 to July 2018. He has served as an independent director at Hannan Airport Infrastructure Co., Ltd.* (海南機場設施股份有限公司), a company listed on the SSE (stock code: 600515) since March 2023. He has been appointed as our Supervisor since October 2014. Mr. Tang obtained a bachelor's degree in economics from Nankai University (南開大學) in June 2001, and a doctor's degree in management from the School of Business of Nankai University in June 2006.

Mr. Wei Changzheng (魏長征), aged 45, is the staff representative Supervisor. Mr. Wei has been the deputy manager of the research and development department at Haohai Limited, the predecessor of the Company, since October 2009, and he has continued to serve this position after the conversion of Haohai Limited into the Company. Mr. Wei has been a director in the department of research and development from April 2016 to May 2022, and a vice general manager of Shanghai Qisheng since May 2022. He has been appointed as the Supervisor since July 2010. Mr. Wei obtained a doctor of science from Ocean University of China (中國海洋大學) in June 2007.

Ms. Song Xiao (宋霄), aged 41, is the staff representative Supervisor. Ms. Song joined the Company as the senior securities manager on 1 June 2022, and has been the supervisor of Shanghai Likangrui since August 2022, the supervisor of Shenhao Eyehealth since March 2024. She has obtained the PRC Legal Profession Qualification Certificate awarded by the Ministry of Justice of the PRC, she worked at Shanghai Oceanwisdom Lawfirm from September 2014 to May 2022, and obtained her lawyer qualification in March 2016. She has been the staff representative Supervisor since 29 June 2022. She obtained a master of laws degree from the East China University of Political Science and Law in July 2013.

SENIOR MANAGEMENT (EXCEPT DIRECTORS AND SUPERVISORS)

Ms. Ren Caixia (任彩霞), aged 67, is the deputy general manager of the Company (retired in January 2025). She served various positions at Shanghai Huayuan from April 2002 to May 2007. She served as the deputy general manager of Haohai Limited from July 2007 to August 2010. She acted as the general manager of Shanghai Jianhua from November 2007 to January 2025, and an executive director of Shanghai Jianhua from November 2010 to December 2018. She has been appointed as our deputy general manager since July 2010. Ms. Ren obtained a bachelor's degree in inorganic chemicals from the Department of Chemicals of Hefei University of Technology (合肥工業大學) in September 1982.

Mr. Wang Wenbin (王文斌), aged 58, is a deputy general manager of the Company. He has served as the executive deputy general manager in Shanghai Qisheng since May 1995, and has served as the general manager of Qingdao Huayuan since April 2018, and has served as a general manager of Haoleyuan, a subsidiary of the Company since November 2022. He served as the deputy general manager of the Company from September 2014 to September 2017 and from March 2019 to present. Mr. Wang obtained a bachelor's degree in medicine from the Second Military Medical University in July 1991 and the practicing doctor qualification in the PRC in May 1999.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhang Jundong (張軍東), aged 51, is a deputy general manager of the Company. He engaged in postdoctoral research in clinical medicine at the Second Military Medical University from November 2006 to October 2010. Between June 2009 to December 2013, he served at the prescription medicine business division of Xinyi Institute of Materia Medica in Shanghai Pharmaceuticals (Group) Co. Ltd. (上海醫藥(集團)有限公司處方藥事業部信誼藥物研究所) as a director of the institute, and he served as the research and development director of Shanghai Xinyi Pharmaceutical Co., Ltd. (上海信誼藥廠有限公司). He has served as a director and general manager of Shanghai Likangrui, and a director of Shanghai Bosaimei Biotechnology Co., Ltd, a subsidiary of the Company since August 2022. He served as the deputy general manager of the Company from September 2014 to September 2017 and from March 2019 to present. Mr. Zhang obtained a bachelor's degree in pharmacy in July 1994 and a doctor's degree in medicine in June 2006 from the Second Military Medical University.

Ms. Tian Min (田敏), aged 35, is the Secretary of the Board and the joint company secretary of the Company. She joined the Group in July 2015, worked in the office of the Board of the Company, and was appointed as the Company's securities affairs representative in August 2019. She has also serviced as the secretary of the Board since December 2019, the joint company secretary of the Company since January 2020. She has served as the director of Juva Medical since April 2021, and has served as a supervisor of Haoleyuan, a subsidiary of the Company since November 2022. She has obtained the "People's Republic of China Legal Professional Qualification Certificate" issued by the Ministry of Justice of the PRC in March 2014, and obtained the qualification certificate of the secretary of the board of directors of the SSE in July 2019. Ms. Tian obtained a Master of Laws degree from East China University of Political Science and Law in July 2015.

JOINT COMPANY SECRETARIES

Ms. Tian Min (田敏), aged 35, has served as the joint company secretary of the Company since 1 January 2020 and is also the Secretary of the Board. For the resume of Ms. Tian, please refer to the "Senior Management" section above.

Mr. Chiu Ming King (趙明璟), aged 47, was appointed as a joint company secretary of the Company on 17 November 2014. He has joined Vistra Corporate Services (HK) Limited since June 2012 and currently serves as the managing director of corporate services of Vistra Corporate Services (HK) Limited, and prior to joining Vistra Corporate Services (HK) Limited, he was an associate director of corporate services of TMF Hong Kong Limited from October 2009 to May 2012. Mr. Chiu has over 14 years of experience in the company secretarial field. He is currently the company secretary of several companies listed on the Hong Kong Stock Exchange. Mr. Chiu has been an associate member of The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) and The Hong Kong Chartered Governance Institute ("HKCGI") (formerly known as the Hong Kong Institute of Chartered Secretaries) since 2003, and a fellow member of HKCGI since September 2015. He is also a holder of the Practitioner's Endorsement Certificate issued by HKCGI. He is currently a member of the Membership Committee and Professional Services Panel of HKCGI. He has also been the HKCGI's representative in the Young Coalition Professional Group of The Hong Kong Coalition of Professional Services since 2013. Mr. Chiu obtained a bachelor of arts from University of Toronto in Canada in June 1999 and received a master of arts in professional accounting and information systems from City University of Hong Kong in November 2003.

INDEPENDENT AUDITOR'S REPORT



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To the shareholders of Shanghai Haohai Biological Technology Co., Ltd.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai Haohai Biological Technology Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 86 to 194, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><i>Revenue recognition</i></p> <p>The Group recorded revenue from the sale of goods amounting to approximately RMB2,680 million in its consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024. Revenue from contracts with customers is recognised when control of goods is transferred to the customers. We focused on this area because revenue recognition was assessed to have higher risks of material misstatement, including significant risks, due to the large transaction volume.</p> <p>The Group's specific disclosures about revenue recognition are included in note 2.4 "Material accounting policies" and note 5 "Revenue, other income and gains" to the financial statements.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> – Discussing with management and obtaining an understanding of the revenue recognition policy, and performing tests of controls on revenue recognition; – Performing tests of details on revenue records on a sampling basis to check the occurrence and accuracy; – Obtaining the sales contracts with customers, and reviewing key terms of revenue recognition and sales return; – Obtaining revenue and trade receivables confirmations from main customers and reviewing the reconciliation of any material difference provided by management by checking the related documents, and performing alternative procedures on the confirmations with no response; – Performing analytical procedures by comparing revenue to that of previous years for the same products; and – Testing the recognition of revenue transactions before and after the end of the period to assess whether they were recorded in the correct period.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of the carrying values of goodwill and other intangible assets with indefinite useful lives

Goodwill and other intangible assets with indefinite useful lives arising from business combination subject to impairment test amounted to RMB423 million and RMB103 million, respectively, as at 31 December 2024. The Group is required to perform the impairment test for goodwill and other intangible assets with indefinite useful lives annually. The impairment test is based on the recoverable amounts of the respective cash-generating units ("CGUs"). We focused on this area because management's impairment assessment process on goodwill and other intangible assets with indefinite useful lives was complex and involved significant judgements and estimates, including expected future cash flow forecasts, associated growth rates and the discount rates applied.

The Group's specific disclosures about goodwill and intangible assets are included in note 2.4 "Material accounting policies", note 3 "Significant accounting judgements and estimates", note 15 "Other intangible assets" and note 16 "Goodwill" to the financial statements.

Our audit procedures included, among others:

- With the assistance of our valuation specialists, evaluating the assumptions and methodologies, including the discount rates and growth rates used by the Group in the impairment test of goodwill and other intangible assets with indefinite useful lives arising from business combination;
- Assessing the competence, professional quality and objectivity of our valuation specialists;
- Evaluating the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance of the respective CGUs and the business development plans; and
- Evaluating the appropriateness of related disclosures.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the IFRS Accounting Standards as issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yee Chung Man.

Ernst & Young
Certified Public Accountants
Hong Kong

21 March 2025



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	2,679,667	2,634,910
Cost of sales		(810,879)	(781,401)
Gross profit		1,868,788	1,853,509
Other income and gains, net	5	149,761	134,286
Selling and distribution expenses		(780,850)	(814,508)
Administrative expenses		(446,975)	(422,346)
Reversal of impairment losses on financial assets, net		2,229	1,973
Research and development costs		(238,929)	(220,098)
Other expenses		(70,804)	(17,717)
Finance costs	7	(18,061)	(7,295)
Share of profits and losses of:			
An associate		986	456
PROFIT BEFORE TAX	6	466,145	508,260
Income tax expense	10	(89,902)	(95,991)
PROFIT FOR THE YEAR		376,243	412,269
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		8,502	36,258
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods:		8,502	36,258

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

Notes	2024 RMB'000	2023 RMB'000
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(137,365)	(40,700)
Income tax effect	18,071	(3,390)
	<u>(119,294)</u>	<u>(44,090)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>(119,294)</u>	<u>(44,090)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(110,792)</u>	<u>(7,832)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>265,451</u>	<u>404,437</u>
Profit attributable to:		
Owners of the parent	420,447	416,121
Non-controlling interests	(44,204)	(3,852)
	<u>376,243</u>	<u>412,269</u>
Total comprehensive income attributable to:		
Owners of the parent	308,897	402,952
Non-controlling interests	(43,446)	1,485
	<u>265,451</u>	<u>404,437</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic and diluted (RMB)		
– For profit for the year	12 <u>1.80</u>	<u>1.75</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,700,688	1,407,916
Right-of-use assets	14	193,954	207,130
Other intangible assets	15	559,880	574,876
Goodwill	16	422,928	413,021
Investment in an associate	17	4,473	3,471
Equity investments designated at fair value through other comprehensive income	18	496,561	603,630
Deferred tax assets	29	59,300	53,124
Other non-current assets	19	25,340	92,185
Total non-current assets		3,463,124	3,355,353
CURRENT ASSETS			
Inventories	20	490,651	526,174
Trade and bills receivables	21	324,280	337,083
Prepayments, other receivables and other assets	22	125,286	122,125
Financial assets at fair value through profit or loss	23	87,846	11,083
Assets classified as held for sale	24	—	13,000
Pledged deposits	25	899	680
Cash and bank balances	25	2,629,306	2,739,999
Total current assets		3,658,268	3,750,144
CURRENT LIABILITIES			
Trade payables	26	62,099	55,108
Other payables and accruals	27	480,711	409,816
Interest-bearing bank and other borrowings	28	305,683	216,625
Tax payable		17,400	34,402
Total current liabilities		865,893	715,951
NET CURRENT ASSETS		2,792,375	3,034,193
TOTAL ASSETS LESS CURRENT LIABILITIES		6,255,499	6,389,546

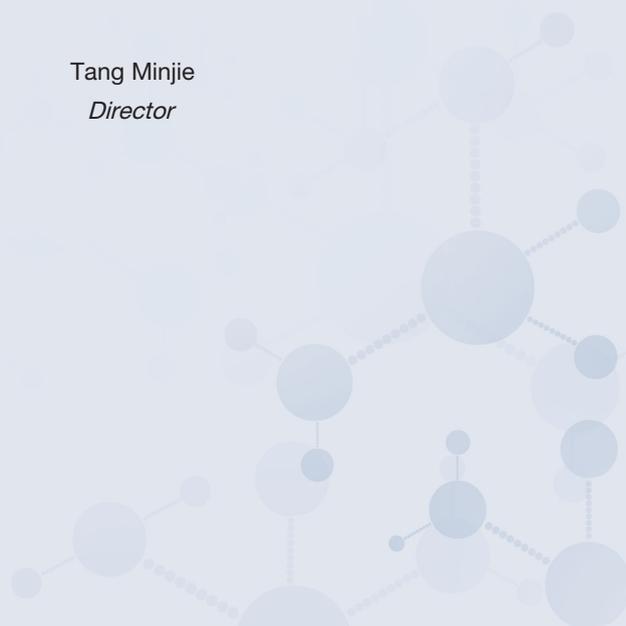
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	142,744	191,324
Other payables and accruals	27	–	4,500
Deferred tax liabilities	29	151,766	161,665
Deferred income	30	15,406	13,625
Provision	31	28,542	1,139
Total non-current liabilities		338,458	372,253
Net assets		5,917,041	6,017,293
EQUITY			
Equity attributable to ordinary equity holders of the parent			
Share capital	32	233,194	171,477
Treasury shares	32	(228,341)	(248,455)
Reserves	34	5,570,406	5,727,042
		5,575,259	5,650,064
Non-controlling interests		341,782	367,229
Total equity		5,917,041	6,017,293

Hou Yongtai
Director

Tang Minjie
Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to ordinary equity holders of the parent										
	Share capital	Treasury shares	Share premium account*	Share through other comprehensive income*	Fair value reserve of financial assets at fair value	Statutory reserve funds*	Exchange fluctuation reserve*	Other reserve*	Retained profits*	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	171,477	(248,455)	2,981,201	(103,595)	88,923	32,150	(264)	2,728,627	5,650,064	367,229	6,017,293
Profit for the year	-	-	-	-	-	-	-	420,447	420,447	(44,204)	376,243
Other comprehensive income for the year:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(119,670)	-	-	-	-	(119,670)	376	(119,294)
Exchange differences on translation of foreign operations	-	-	-	-	-	8,120	-	-	8,120	382	8,502
Total comprehensive income for the year	-	-	-	(119,670)	-	8,120	-	420,447	308,897	(43,446)	265,451
Repurchase of A shares and H shares	-	(176,296)	-	-	-	-	-	-	(176,296)	-	(176,296)
Retirement of H shares	(5,593)	196,410	(190,817)	-	-	-	-	-	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	25,443	25,443
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(14,448)	(14,448)
Dividend declared	-	-	-	-	-	-	-	(259,859)	(259,859)	-	(259,859)
Capital injection of non-controlling shareholders	-	-	-	-	-	-	-	-	-	7,004	7,004
Share-based payments credited to the owner's equity	-	-	3,002	-	-	-	-	-	3,002	-	3,002
Issue of shares	526	-	48,925	-	-	-	-	-	49,451	-	49,451
Capitalisation issue of new shares	66,784	-	(66,784)	-	-	-	-	-	-	-	-
Transfer from retained profits	-	-	-	-	27,674	-	-	(27,674)	-	-	-
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	-	-	-	(3,158)	-	-	-	3,158	-	-	-
At 31 December 2024	233,194	(228,341)	2,775,527	(226,423)	116,597	40,270	(264)	2,864,699	5,575,259	341,782	5,917,041

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to ordinary equity holders of the parent										
	Share capital	Treasury shares	Share premium account*	Fair value reserve of financial assets at fair value through other comprehensive income*	Statutory reserve funds*	Exchange fluctuation reserve*	Other reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	174,130	(74,042)	3,003,117	(47,985)	88,923	1,229	(264)	2,369,501	5,514,609	387,774	5,902,383
Profit for the year	-	-	-	-	-	-	-	416,121	416,121	(3,852)	412,269
Other comprehensive income for the year:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(44,090)	-	-	-	-	(44,090)	-	(44,090)
Exchange differences on translation of foreign operations	-	-	-	-	-	30,921	-	-	30,921	5,337	36,258
Total comprehensive income for the year	-	-	-	(44,090)	-	30,921	-	416,121	402,952	1,485	404,437
Repurchase of A shares and H shares	-	(269,977)	-	-	-	-	-	-	(269,977)	-	(269,977)
Retirement of H shares	(3,435)	95,564	(92,129)	-	-	-	-	-	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(13,851)	(13,851)
Dividend declared	-	-	-	-	-	-	-	(68,515)	(68,515)	-	(68,515)
Capital injection of non-controlling shareholders	-	-	-	-	-	-	-	-	-	47,000	47,000
Acquisition of non-controlling interests	-	-	(121,493)	-	-	-	-	-	(121,493)	(54,930)	(176,423)
Share redemption options granted to non-controlling shareholders of a subsidiary	-	-	105,499	-	-	-	-	-	105,499	(1,243)	104,256
Share-based payments credited to the owner's equity	-	-	13,307	-	-	-	-	-	13,307	994	14,301
Issue of shares	782	-	72,900	-	-	-	-	-	73,682	-	73,682
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	-	-	-	(11,520)	-	-	-	11,520	-	-	-
At 31 December 2023	171,477	(248,455)	2,981,201	(103,595)	88,923	32,150	(264)	2,728,627	5,650,064	367,229	6,017,293

* These reserve accounts comprise the consolidated reserves of approximately RMB5,570,406,000 (2023: RMB5,727,042,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		466,145	508,260
Adjustments for:			
Finance costs	7	18,061	7,295
Share of profits and losses of:			
An associate	17	(986)	(456)
Interest income	5	(73,962)	(77,731)
Interest income from financial assets at fair value through profit or loss		–	(263)
Fair value gain of financial assets at fair value through profit or loss		(25,915)	(2,296)
Dividend income from equity investments at fair value through other comprehensive income	5	(16)	(423)
Net loss/(gain) on disposal and obsolescence items of property, plant and equipment	6	16	(591)
Depreciation of property, plant and equipment	6	116,241	112,557
Depreciation of right-of-use assets	6	26,826	24,388
Amortisation of other intangible assets	6	62,159	60,910
Reversal of impairment of trade and other receivables	6	(2,229)	(1,973)
Write-down of inventories to net realisable value	6	32,238	6,741
Recognition of government grants related to assets	30	(4,612)	(6,884)
Unrealised losses from changes in foreign currency exchange		4,481	5,614
Equity-settled share option expense	6	3,002	14,301
		621,449	649,449
Decrease/(increase) in inventories		5,315	(48,419)
(Increase)/decrease in trade and bills receivables		(39,345)	10,130
(Increase)/decrease in prepayments, other receivables and other assets		(6,125)	5,928
(Increase)/decrease in pledged deposits		(219)	2,197
Increase in provision		27,403	346
Increase in trade payables		62,620	43,482
Increase in other payables and accruals		93,061	59,523
Cash generated from operations		784,159	722,636
Income tax paid		(115,587)	(88,186)
Net cash flows generated from operating activities		648,572	634,450

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Interest received	5	73,962	77,731
Interest income received from equity investments designated at fair value through profit or loss		–	263
Purchases of items of property, plant and equipment		(364,181)	(265,603)
Purchase of other intangible assets		(1,309)	(1,627)
Proceeds from disposal of items of property, plant and equipment		722	1,840
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		13,158	14,565
Loans to third parties		(34,178)	–
Acquisition of a subsidiary		(16,009)	–
Payment for the acquisition of a subsidiary and contingent consideration		(1,572)	–
Purchase of equity investments designated at fair value through other comprehensive income		(30,455)	(5,000)
Purchase of financial assets at fair value through profit or loss		(50,848)	(11,079)
Decrease/(increase) in time deposits with original maturity of more than three months		654,280	(188,163)
Receipt of payment from the third parties		36,693	–
Dividends received from equity investments designated at fair value through other comprehensive income	5	16	423
Net cash flows generated from/(used in) investing activities		<u>282,279</u>	<u>(376,650)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES			
Proceeds from issue of shares		49,451	73,682
Principal portion of lease payments		(23,355)	(24,549)
Dividends paid to non-controlling shareholders		(14,448)	(15,051)
New bank loans		242,000	313,891
Repayment of bank loans and other borrowings		(197,723)	(16,385)
Repurchase of A shares and H shares		(175,354)	(269,977)
Acquisition of non-controlling interests		–	(292,728)
Capital injection from non-controlling interests		7,004	47,000
Interest paid		(18,061)	(5,095)
Dividends paid		(259,859)	(68,515)
Net cash flows used in financing activities		<u>(390,345)</u>	<u>(257,727)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		569,318	559,197
Effect of foreign exchange rate changes, net		3,081	10,048
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	1,112,905	569,318
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances and pledged deposits as stated in the statement of financial position	25	2,630,205	2,740,679
Time deposits with original maturity of more than three months when acquired	25	(1,516,401)	(2,170,681)
		1,113,804	569,998
Less: Pledged time deposits:			
Guaranteed deposits	25	899	680
Cash and cash equivalents as stated in the statement of cash flows		1,112,905	569,318

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP INFORMATION

The Company was established as a limited liability company on 24 January 2007 in the People's Republic of China (the "PRC"), and the Company was transformed into a joint stock company with limited liability on 2 August 2010. The registered office of the Company is located at No. 5 Tongjing Road, Songjiang Industrial Zone, Shanghai, PRC. The Company issued 40,000,000 H shares and 45,300 H shares on 30 April 2015 and 28 May 2015, respectively. The H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE") since 30 April 2015. The Company issued 17,800,000 A shares on 30 October 2019 ("A Share Offering"). The A shares of the Company have been listed on the Sci-tech Innovation Board of the Shanghai Stock Exchange (the "SSE") since 30 October 2019. The total number of issued shares of the Company after the A Share Offering was 177,845,300 (comprising 40,045,300 H shares and 137,800,000 A shares).

As of 31 December 2024, the Company repurchased and cancelled its own shares as follows:

Repurchase of H shares

During the period from March 2020 to December 2023, the Company repurchased an aggregate of 10,446,700 H shares, among which, 7,150,200 H shares have been cancelled as of 31 December 2023. During the year ended 31 December 2024, the Company repurchased 2,492,100 H shares and cancelled an aggregate of 5,592,700 H shares.

Repurchase of A shares

During the period from August 2023 to August 2024, the Company completed its first round of A share repurchase and a total of 2,015,674 A shares were repurchased. The Company then implemented its second round of A share repurchase plan and a total of 492,746 A shares were repurchased from November to December 2024. As of 31 December 2024, none of these repurchased A shares were cancelled.

In March 2024, 526,445 A shares were issued to eligible participants pursuant to the completion of attribution of the first grant under the Company's 2021 Restricted A Share Incentive Scheme.

In June 2024, the Company issued additional 66,782,692 shares (comprising 54,943,252 A shares and 11,839,440 H shares) by transferring capital reserve to share capital.

Throughout the fiscal year ended 31 December 2024, the Group's primary activities were focused on the manufacture and sale of biologicals, medical hyaluronate and ophthalmology products, alongside with research and development of biological engineering. Furthermore, the Group was involved in the production and distribution of pharmaceutical and ophthalmology products, as well as offering related services.

In the opinion of the directors, the ultimate controlling stakeholders are Mr. Jiang Wei and his spouse, Ms. You Jie.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of business	Paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
上海其勝生物製劑有限公司 Shanghai Qisheng Biologicals Co., Ltd.* ("Shanghai Qisheng")	PRC/ Mainland China 27 May 1992	RMB160,000,000	100	–	Manufacture and sale of biological reagents, biologicals and biological materials
上海利康瑞生物工程有限公司 Shanghai Likangrui Bioengineering Co., Ltd.* ("Shanghai Likangrui")	PRC/ Mainland China 3 September 2001	RMB250,000,000	70	–	Research and development, consultation and services of biological engineering and pharmaceutical products and related technology transfer
河南宇宙人工晶狀體研製有限公司 Henan Universe Intraocular Lens Research and Manufacture Co., Ltd. ("Henan Universe")	PRC/ Mainland China 23 April 1991	RMB10,000,000	–	100	Manufacture and sale of intraocular lens and related products
深圳市新產業眼科新技術有限公司 Shenzhen New Industries Material of Ophthalmology Co., Ltd* ("NIMO")	PRC/ Mainland China 27 April 2006	RMB11,000,000	–	80	Sale of ophthalmology products

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place and date of incorporation/ registration and place of business	Paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Contamac Limited	United Kingdom 10 May 1991	GBP1,000	–	79	Manufacture and sale of contact lens and intraocular lens material, machines and accessories
歐華美科(天津)醫學科技有限公司 Ouhua Meike (Tianjin) Medical Technology Co., Ltd. (“JUVA MEDICAL”)	PRC/ Mainland China 12 May 2014	RMB126,500,000	100	–	Sale machines of medical aesthetics, professional life cosmetology and home cosmetology
EndyMed Ltd.	Israel	ILS2,749,248	–	49	Research and development of radiofrequency instruments and product and sale of radiofrequency instruments

* English translations of names for identification purposes only

* All of the Company's subsidiaries registered in the PRC are limited liability companies under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES

2.1 Basis of presentation

These financial statements have been prepared in accordance with the IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for bills receivables and certain equity investments and certain other payables and accruals, which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of presentation (Continued)

Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

The Group has adopted the following revised IFRS Accounting Standards for the first time for the current year's financial statements.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the "2020 Amendments")
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> (the "2022 Amendments")
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

The nature and the impact of the revised IFRS Accounting Standards are described below:

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (Continued)

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2.3 Issued but not yet effective IFRS accounting standards

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ³
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ²
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to IAS 21	<i>Lack of Exchangeability</i> ¹
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7</i> ²

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual/reporting periods beginning on or after 1 January 2027

⁴ No mandatory effective date yet determined but available for adoption

Further information about those IFRS Accounting Standards that are expected to be applicable to the Group is described below.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective IFRS accounting standards (Continued)

IFRS 18 replaces IAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as IAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 Statement of Cash Flows, IAS 33 Earnings per Share and IAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRS Accounting Standards. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19. Some of the Company's subsidiaries are considering the application of IFRS 19 in their specified financial statements.

Amendments to IFRS 9 and IFRS 7 Amendments to the Classification and Measurement of Financial Instruments clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective IFRS accounting standards (Continued)

Amendments to IFRS 9 and IFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the “own-use” requirements for in-scope contracts and amend the designation requirements for a hedged item in cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity’s financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of initial application. Earlier application is permitted. The amendments to IFRS 9 and IFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group’s financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group’s financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective IFRS accounting standards (Continued)

Annual Improvements to IFRS Accounting Standards – Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying Guidance on implementing IFRS 7), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- **IFRS 7 Financial Instruments: Disclosures:** The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing IFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing IFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **IFRS 9 Financial Instruments:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **IFRS 10 Consolidated Financial Statements:** The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **IAS 7 Statement of Cash Flows:** The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its equity investments and structured deposits at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, goodwill and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Impairment of non-financial assets (Continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Related parties (Continued)

- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Items	Principal annual rate
Land and buildings	2.4% to 5.0%
Plant and machinery	9.0% to 31.7%
Motor vehicles	9.5% to 33.3%
Office equipment and others	9.5% to 33.3%
Leasehold improvements	10.0% to 20.0%

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Property, plant and equipment and depreciation (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Intangible assets (other than goodwill) (Continued)

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Patents and non-patent technology

Purchased patents and non-patent technology are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 15 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 3 to 10 years.

Customer relationship

Customer relationship is acquired in business combinations and stated at cost less any impairment losses and is amortised using the straight-line basis over its estimated useful life of 3 to 15 years.

Exclusive distribution right

Exclusive distribution right is acquired in business combinations and stated at cost less any impairment losses and is amortised using the straight-line basis over its estimated useful life of 9 to 11 years.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Intangible assets (other than goodwill) (Continued)

Brands

Brand is acquired in a business combination. The brand consisted of one brand that was acquired from the business combination of the hydrophilic intraocular lenses and PMMA products business from Aaren Scientific Inc. (“Aaren Business”), a legal entity registered in the USA, with an indefinite useful life in 2016, one brand that was acquired from the business combination of Contamac Holdings Limited (“Contamac Holdings”) and its subsidiaries (“Contamac Group”) with an indefinite useful life in 2017 and one brand that was acquired from the package business combination of Ouhua Meike (Tianjin) Medical Technology Co., Ltd. (“JUVA MEDICAL Group”) and Bioxis Pharmaceuticals (“Bioxis”, together with JUVA MEDICAL Group, “JUVA Group”) which is amortised using the straight-line basis over its estimated useful lives of 10 years in 2021. The useful life of the brand is estimated to be indefinite because based on the current market share of the brand, management believes there is no foreseeable limit to the period over which the brand is expected to generate net cash flows for the Group.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 10 years
Prepaid land lease payments	15 to 50 years

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of motor vehicles that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Impairment of financial assets (Continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Impairment of financial assets (Continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accruals and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss (Continued)

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Provisions (Continued)

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

- Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Some contracts for the sale of goods provide customers with rights of return and volume rebates, giving rise to variable consideration.

- (i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

- (ii) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

- Equipment technical service

Revenue from equipment technical service is recognised over time, using a output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The output method recognises revenue on the basis of proportion of service completed to the estimated total revenue.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Revenue recognition (Continued)

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes Model or by the difference between the price of the most recent investor investment on the grant date and the price received for the implementation of the transactions, further details of which are given in note 33 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Share-based payments (Continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Other employee benefits (Continued)

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

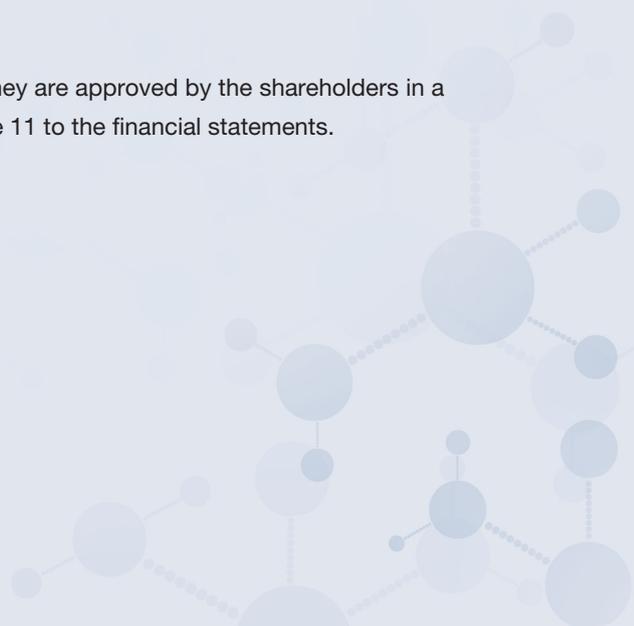
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final and interim dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 11 to the financial statements.



NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Foreign currencies (Continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Business model

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. In judging the business model, the Group considers corporate appraisal, methods of reporting the results of financial assets to key management members, risks affecting the results of financial assets and its management, as well as the methods of remunerating relevant business managers and so forth. In assessing whether the objective is to collect contractual cash flows, the Group needs to analyse and judge the reasons for disposing of the financial assets before maturity, time, frequency and value of the financial assets and so forth.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, including the assessment of the correction of the time value of money, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow. For financial assets with advanced payment characteristics, it is necessary to judge whether the fair value of the advanced payment characteristics is minimal.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of financial instruments

The Group assess the impairment of financial instruments based on the expected credit loss model (“ECLs”), and the application of the ECLs requires significant judgement and estimation, all reasonable and well-founded information should be taken into account, including forward-looking information. In making these judgements and estimates, the Group infers the expected changes in the credit risk of the debtor based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors. Different estimates may affect the provision for impairment, which may not be equal to the actual amount of impairment loss in the future.

Impairment of non-current assets other than financial assets (other than goodwill)

The Group determines whether there are any signs of possible impairment of non-current assets other than financial assets at the balance sheet date. For intangible assets with indefinite useful lives, in addition to annual impairment tests, impairment tests are also carried out when there are any signs of impairment. Other non-current assets, other than financial assets, are tested for impairment when there are indications that their carrying amount is not recoverable. An impairment occurs when the carrying amount of an asset or group of assets is higher than the recoverable amount. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal. The net fair value less disposal costs is determined by reference to the agreed sale price or observable market value of a similar asset in a fair transaction, less incremental costs directly attributable to the disposal of that asset. When predicting the fair value of future cash flows, management must estimate the projected future cash flows of the asset or group of assets and select an appropriate discount rate to determine the present value of future cash flows.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Impairment of goodwill and other intangible assets with indefinite useful lives

The Group determines whether goodwill and other intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill and other intangible assets with indefinite useful lives are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill and other intangible assets with indefinite useful lives subject to impairment test at 31 December 2024 were approximately RMB422,928,000 (2023: RMB413,021,000) and RMB103,086,000 (2023: RMB102,337,000), respectively. Further details are given in notes 16 and 15 respectively.

Fair value of financial instruments

For financial instruments for which there is no active trading market, the Group determines their fair value through various valuation methods. These valuation methods include discounted cash flow model analysis. In the valuation, the Group needs to estimate future cash flows, credit risk, market volatility and correlation, and select an appropriate discount rate. These related assumptions are uncertain and their changes will affect the fair value of financial instruments.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on the expected cash flows discounted at current rates applicable to items with similar terms and risk characteristics. This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty. The fair value of the unlisted equity investments at 31 December 2024 was RMB492,461,000 (2023: RMB592,399,000). Further details are included in note 18 to the financial statements.



NOTES TO FINANCIAL STATEMENTS

31 December 2024

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are related to a single operating segment, which is the manufacture and sale of biologicals, medical hyaluronate and intraocular lens, research and development of biological engineering and pharmaceutical products and the provision of related services. Therefore, management monitors the operating results of the Group's operating segment as a whole for the purpose of making decision about resources allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2024 RMB'000	2023 RMB'000
Mainland China	2,245,880	2,181,814
Europe	154,216	136,051
USA	137,782	120,277
Other regions and countries	141,789	196,768
Total revenue	<u>2,679,667</u>	<u>2,634,910</u>

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2024 RMB'000	2023 RMB'000
Mainland China	2,471,771	2,199,447
U.K.	286,531	282,825
USA	38,982	31,047
Other regions and countries	109,979	185,280
Total non-current assets	<u>2,907,263</u>	<u>2,698,599</u>

The non-current asset information of continuing operations above is based on the locations of the assets and excludes equity investments designated at fair value through other comprehensive income and deferred tax assets.

Information about major customers

No revenue from a single customer contributed to 10% or more of the Group's revenue during the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	<u>2,679,667</u>	<u>2,634,910</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

	2024 RMB'000	2023 RMB'000
Types of goods sold		
Medical aesthetics and wound care products	1,189,225	1,052,801
Ophthalmology products	853,423	924,650
Orthopedic products	454,281	474,259
Anti-adhesion and hemostasis products	144,924	145,924
Other products	<u>37,814</u>	<u>37,276</u>
Total	<u>2,679,667</u>	<u>2,634,910</u>
Timing of revenue recognition		
Goods transferred at a point in time	2,678,612	2,631,224
Services rendered over time	<u>1,055</u>	<u>3,686</u>
Total	<u>2,679,667</u>	<u>2,634,910</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	<u>76,321</u>	<u>31,099</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(b) Performance obligation

Information about the Group's performance obligation is summarised below:

Sale of products

The performance obligation is satisfied upon delivery of products and payment is generally due within six months from delivery, except for distributors, where payment in advance is normally required.

Equipment technical service

The performance obligation is satisfied over time as services are rendered. Service contracts are billed based on the time incurred or monthly.

Other income and gains

	2024 RMB'000	2023 RMB'000
Bank interest income	73,962	77,731
Government grants	44,160	41,820
Fair value gain of financial assets at fair value through profit or loss	25,915	2,296
Dividend income from equity investments designated at fair value through other comprehensive income	16	423
Gain on disposal of items of property, plant and equipment	–	627
Others	5,708	11,389
Total other income and gains	<u>149,761</u>	<u>134,286</u>

Note:

Various government grants have been received from local government authorities in various regions in the PRC, for compensating research activities. The government grants released have been recorded in other income and gains, among which there were no unfulfilled conditions or contingencies relating to these recognised government grants.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2024 RMB'000	2023 RMB'000
Cost of inventories sold	810,788	781,162
Cost of services provided	91	239
Depreciation of property, plant and equipment (note 13)	116,241	112,557
Depreciation of right-of-use assets (note 14)	33,341	30,903
Less: Capitalised in construction in progress	6,515	6,515
Depreciation charged to profit or loss	26,826	24,388
Amortisation of other intangible assets (note 15)	62,159	60,910
Auditor's remuneration	2,710	2,545
Research and development costs	238,929	220,098
Lease payments not included in the measurement of lease liabilities (note 14)	5,038	4,652
Employee benefit expense (excluding directors' remuneration as set out in note 8):		
Wages and salaries	631,903	577,016
Pension scheme contributions	61,038	53,065
Equity-settled share option expense	3,002	14,301
Foreign exchange differences, net	4,481	5,614
Impairment losses on financial assets, net:		
Reversal of impairment of trade receivables, net	(2,854)	(2,078)
Impairment of financial assets included in prepayments, other receivables and other assets, net	625	105
Write-down of inventories to net realisable value	32,238	6,741
Bank interest income	(73,962)	(77,731)
Net loss/(gain) on disposal and obsolescence of items of property, plant and equipment	16	(591)

NOTES TO FINANCIAL STATEMENTS

31 December 2024

7. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on bank loans and other loans	15,823	5,187
Interest on lease liabilities	2,238	2,108
Total	<u>18,061</u>	<u>7,295</u>

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2024 RMB'000	2023 RMB'000
Fees	<u>3,198</u>	<u>2,185</u>
Other emoluments:		
Salaries, allowances and benefits in kind	4,130	4,348
Performance related bonuses	4,581	2,315
Equity-settled share option expense	242	1,734
Pension scheme contributions	<u>368</u>	<u>395</u>
Subtotal	<u>9,321</u>	<u>8,792</u>
Total	<u>12,519</u>	<u>10,977</u>

During the prior year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 33 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows*:

	2024 RMB'000	2023 RMB'000
Mr. Jiang Zhihong	141	141
Mr. Guo Yongqing*	–	126
Mr. Yang Yushe	126	126
Mr. Zhao Lei	126	126
Mr. Su Zhi	126	126
Mr. Shen Hongbo	126	–
Total	<u>645</u>	<u>645</u>

- * The Company announced that Mr. Guo Yongqing no longer served as an independent non-executive director of the Fifth Board of Directors of the Company, and as a member in the various related board committees. Following his resignation, Mr. Guo Yongqing would no longer hold any position within the Company. The Board of Directors also elected Mr. Shen Hongbo as an independent non-executive director of the Company's Fifth Board of Directors. The Company convened the eighteenth meeting of the Fifth Board of Directors on 29 December 2023, appointing Mr. Shen Hongbo as a member of related board committees. His term commenced on 29 December 2023 and will continue until the expiration of the Fifth Board of Directors' term.

There were no other emoluments payable to the independent non-executive directors during the year (2023: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors, supervisors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2024						
Executive directors:						
Dr. Hou Yongtai	458	778	1,750	55	18	3,059
Mr. Wu Jianying ¹	958	678	1,311	77	71	3,095
Mr. Tang Minjie	371	853	550	55	71	1,900
Ms. Chen Yiyi	388	708	420	55	71	1,642
Non-executive directors:						
Ms. You Jie	-	-	-	-	-	-
Mr. Huang Ming	126	-	-	-	-	126
Supervisors:						
Mr. Liu Yuanzhong	-	-	-	-	-	-
Ms. Yang Qing	126	-	-	-	-	126
Mr. Tang Yuejun	126	-	-	-	-	126
Mr. Wei Changzheng	-	673	300	-	71	1,044
Ms. Song Xiao	-	440	250	-	66	756
Total	2,553	4,130	4,581	242	368	11,874

NOTES TO FINANCIAL STATEMENTS

31 December 2024

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors, supervisors and the chief executive (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2023						
Executive directors:						
Dr. Hou Yongtai	659	826	340	394	68	2,287
Mr. Wu Jianying ¹	189	890	758	552	68	2,457
Mr. Tang Minjie	157	826	396	394	68	1,841
Ms. Chen Yiyi	157	702	330	394	68	1,651
Non-executive directors:						
Ms. You Jie	-	-	-	-	-	-
Mr. Huang Ming	126	-	-	-	-	126
Supervisors:						
Mr. Liu Yuanzhong	-	-	-	-	-	-
Ms. Yang Qing	126	-	-	-	-	126
Mr. Tang Yuejun	126	-	-	-	-	126
Mr. Wei Changzheng	-	728	298	-	68	1,094
Ms. Song Xiao	-	376	193	-	55	624
Total	1,540	4,348	2,315	1,734	395	10,332

¹ Mr. Wu Jianying was the chief executive of the Group during the year.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2023: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2023: four directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2023: one) highest paid employees who is neither a director nor chief executive of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	669	641
Performance related bonuses	300	537
Equity-settled share option expense	22	158
Pension scheme contributions	71	68
Total	<u>1,062</u>	<u>1,404</u>

The numbers of five highest paid individuals whose remuneration fell within the following bands is as follows:

	2024	2023
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	4	4
Total	<u>5</u>	<u>5</u>

During the year ended 31 December 2022, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 33 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

10. INCOME TAX

The Company is registered in the PRC and is subject to PRC corporate income tax (“CIT”) on the taxable income as reported in its PRC statutory accounts adjusted in accordance with relevant PRC income tax laws.

The Company, Shanghai Qisheng, Shanghai Jianhua Fine Biological Products Co., Ltd. (“Shanghai Jianhua”), Henan Universe, and Qingdao Huayuan Fine Biological Product Co., Ltd. (“Qingdao Huayuan”) were accredited as high and new-tech enterprises (the “HNTE”) for the three years from 2023 to 2025 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during 2024 for the Company, Shanghai Qisheng, Shanghai Jianhua, Henan Universe and Qingdao Huayuan.

NIMO, Hangzhou Aijinglun Technology Co., Ltd. (“Hangzhou Aijinglun”) and Sanhe Leike Optoelectronics Technology Co., Ltd. (“Laserconn”) were accredited as HNTE for the three years from 2022 to 2024 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during 2024 for NIMO, Hangzhou Aijinglun and Laserconn.

Henan Simedice Biotechnologies Co., Ltd (“Henan Simedice”) was accredited as HNTE for the three years from 2024 to 2026 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during 2024 for Henan Simedice.

The applicable tax rate for the other subsidiaries registered in Mainland China was 25% (2023: 25%) during the year.

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%).

The profits tax for subsidiaries in the USA has been provided at the rate of 21% (2023: 21%) on the estimated assessable profits arising in the USA during the year.

The profits tax for subsidiaries in the U.K. has been provided at the rate of 25% (2023: 25%) on the estimated assessable profits arising in the U.K. during the year.

The profits tax for subsidiaries in France has been provided at the rate of 25% (2023: 25%) on the estimated assessable profits arising in France during the year.

The profits tax for subsidiaries in Israel has been provided at the rate of 23% (2023: 23%) on the estimated assessable profits arising in Israel during the year.

	2024 RMB'000	2023 RMB'000
Current		
Charge for the year	97,790	95,774
Under provision in prior years	795	2,160
Deferred (note 29)	(8,683)	(1,943)
Total tax charge for the year	<u>89,902</u>	<u>95,991</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

10. INCOME TAX (CONTINUED)

A reconciliation of the tax expense/(credit) applicable to profit before tax at the statutory tax rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2024		2023	
	RMB'000	%	RMB'000	%
Profit before tax	466,145		508,260	
Tax at the statutory tax rate	117,214	25.0	126,338	24.8
Adjustments in respect of current tax of previous years	795	0.2	2,160	0.4
Profit and loss attributable to an associate	(246)	0.1	(114)	–
Additional deductible allowance for research and development expenses	(45,950)	(9.9)	(37,045)	(7.3)
Expenses not deductible for tax	12,822	2.8	8,163	1.6
Deductible temporary differences and tax losses not recognised	60,390	13.0	45,467	8.9
Income not subject to tax	(2,763)	(0.6)	(1,056)	(0.2)
Tax losses utilised from previous periods	(3,566)	(0.8)	(3,407)	(0.7)
Deductible expense due to share option scheme	(2,494)	(0.5)	(2,150)	(0.4)
Effect on opening deferred tax of increase in rates	–	–	6,588	1.3
Tax saving from preferential tax rate due to HNTE Status	(46,300)	(9.9)	(48,953)	(9.6)
Tax charge at the Group's effective rate	89,902	19.2	95,991	18.8

The effective tax rate of the Group was 19.2% during the year ended 31 December 2024 (2023: 18.8%).

11. DIVIDENDS

	2024	2023
	RMB'000	RMB'000
Interim – RMB0.40 (2023: Nil) per ordinary share	92,902	–
Proposed final – RMB0.60 (2023: RMB1.00) per ordinary share	138,023	166,834

On 21 March 2025, the directors proposed to declare the final dividend of RMB0.60 (inclusive of tax) per ordinary share, amounting to RMB138,023,048 for the year ended 31 December 2024, based on the total number of shares issued by the Company and deducting total shares which have been repurchased but not cancelled by the Company as of 21 March 2025.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

11. DIVIDENDS (CONTINUED)

The proposed final dividend of RMB1.00 (inclusive of tax) per ordinary share of the Company for the year ended 31 December 2023 was declared payable by the shareholders of the Company at the annual general meeting of the Company on 29 May 2024.

The interim dividend of RMB0.40 (inclusive of tax) per ordinary share, amounting to RMB92,902,248 for the six-month period ended 30 June 2024 was declared payable by the shareholders of the Company at the extraordinary general meeting of the Company on 13 September 2024.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 233,108,062 (2023: 237,313,829) outstanding during the year. The weighted average number of ordinary shares for the purposes of calculating basic earnings per share have been retrospectively adjusted to reflect the effect of issuance of shares under the capitalization issue (Note 32(4)).

The Group had no potentially dilutive ordinary shares outstanding during the years ended 31 December 2024 and 2023. The Group has a share option scheme that has an anti-dilution effect on earnings per share, so the amounts of diluted earnings per share and basic earnings per share are the same.

The calculation of basic and diluted earnings per share is based on:

	2024 RMB'000	2023 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>420,447</u>	<u>416,121</u>
Shares		
Weighted average number of ordinary shares outstanding used in the basic and diluted earnings per share calculation	<u>233,108,062</u>	<u>237,313,829</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Motor vehicles	Office equipment and others	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
At 1 January 2024:							
Cost	365,656	769,402	26,170	97,967	635,607	112,868	2,007,670
Accumulated depreciation and impairment	(100,247)	(356,326)	(19,550)	(60,043)	-	(63,588)	(599,754)
Net carrying amount	<u>265,409</u>	<u>413,076</u>	<u>6,620</u>	<u>37,924</u>	<u>635,607</u>	<u>49,280</u>	<u>1,407,916</u>
At 1 January 2024, net of accumulated depreciation and impairment	265,409	413,076	6,620	37,924	635,607	49,280	1,407,916
Additions	2,429	20,613	3	8,360	366,778	12,056	410,239
Acquisition of a subsidiary (note 35)	-	-	-	47	-	-	47
Disposals	-	(341)	(178)	(225)	-	6	(738)
Depreciation provided during the year	(16,543)	(67,787)	(3,934)	(11,965)	-	(16,012)	(116,241)
Transfers	22,811	37,453	960	31,893	(99,344)	6,227	-
Exchange realignment	77	(575)	(10)	(26)	-	(1)	(535)
At 31 December 2024, net of accumulated depreciation and impairment	<u>274,183</u>	<u>402,439</u>	<u>3,461</u>	<u>66,008</u>	<u>903,041</u>	<u>51,556</u>	<u>1,700,688</u>
At 31 December 2024:							
Cost	391,022	792,451	25,939	131,734	903,041	106,020	2,350,207
Accumulated depreciation and impairment	(116,839)	(390,012)	(22,478)	(65,726)	-	(54,464)	(649,519)
Net carrying amount	<u>274,183</u>	<u>402,439</u>	<u>3,461</u>	<u>66,008</u>	<u>903,041</u>	<u>51,556</u>	<u>1,700,688</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2023							
At 1 January 2023:							
Cost	346,247	695,972	27,401	84,410	520,223	110,034	1,784,287
Accumulated depreciation and impairment	(83,255)	(296,698)	(17,116)	(52,231)	(1,242)	(47,349)	(497,891)
Net carrying amount	<u>262,992</u>	<u>399,274</u>	<u>10,285</u>	<u>32,179</u>	<u>518,981</u>	<u>62,685</u>	<u>1,286,396</u>
At 1 January 2023, net of accumulated depreciation and impairment	262,992	399,274	10,285	32,179	518,981	62,685	1,286,396
Additions	8,606	16,774	465	4,048	195,117	1,619	226,629
Disposals	2	(841)	(191)	(219)	-	-	(1,249)
Depreciation provided during the year	(15,056)	(67,713)	(4,046)	(9,693)	-	(16,049)	(112,557)
Transfers	4,657	63,254	112	11,299	(80,270)	948	-
Exchange realignment	<u>4,208</u>	<u>2,328</u>	<u>(5)</u>	<u>310</u>	<u>1,779</u>	<u>77</u>	<u>8,697</u>
At 31 December 2023, net of accumulated depreciation and impairment	<u>265,409</u>	<u>413,076</u>	<u>6,620</u>	<u>37,924</u>	<u>635,607</u>	<u>49,280</u>	<u>1,407,916</u>
At 31 December 2023:							
Cost	365,656	769,402	26,170	97,967	635,607	112,868	2,007,670
Accumulated depreciation and impairment	(100,247)	(356,326)	(19,550)	(60,043)	-	(63,588)	(599,754)
Net carrying amount	<u>265,409</u>	<u>413,076</u>	<u>6,620</u>	<u>37,924</u>	<u>635,607</u>	<u>49,280</u>	<u>1,407,916</u>

At 31 December 2024 and 31 December 2023, no property, plant and equipment were pledged.

The information about the impairment loss of property, plant and equipment as of 31 December 2022 is disclosed in note 16 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of land and buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 15 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There is no lease contract that includes extension and termination options and variable lease payments.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2023	163,116	59,325	222,441
Additions	–	17,634	17,634
Exchange realignment	–	1,230	1,230
Disposition	–	(3,272)	(3,272)
Depreciation charge	(8,927)	(21,976)	(30,903)
As at 31 December 2023 and 1 January 2024	<u>154,189</u>	<u>52,941</u>	<u>207,130</u>
Additions	–	20,858	20,858
Exchange realignment	–	107	107
Disposition	–	(770)	(770)
Depreciation charge	(8,974)	(24,367)	(33,341)
As at 31 December 2024	<u>145,215</u>	<u>48,739</u>	<u>193,954</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

14. LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	54,193	61,259
New leases	20,828	17,634
Accretion of interest recognised during the year	2,238	2,108
Exchange realignment	(278)	1,013
Disposition	(770)	(3,272)
Payments	(25,593)	(24,549)
Carrying amount at 31 December	<u>50,618</u>	<u>54,193</u>
Analysed into:		
Current portion	<u>18,595</u>	<u>20,310</u>
Non-current portion	<u>32,023</u>	<u>33,883</u>

The maturity analysis of lease liabilities is disclosed in note 43 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	2,238	2,108
Depreciation charge of right-of-use assets	33,341	30,903
Expense relating to short-term leases (included in administrative expenses)	<u>5,038</u>	<u>4,652</u>
Total	<u>40,617</u>	<u>37,663</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

15. OTHER INTANGIBLE ASSETS

	Patents	Non-patent technology	Software	Customer relationship	Brands*	Exclusive distribution rights	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
Cost at 1 January 2024							
net of accumulated amortisation	20	218,732	3,727	157,292	109,620	85,485	574,876
Additions	-	-	1,606	-	-	-	1,606
Amortisation provided during the year	(3)	(21,864)	(1,371)	(23,649)	(950)	(14,322)	(62,159)
Acquisition of a subsidiary (note 35)	-	-	-	-	-	46,500	46,500
Exchange realignment	1	(1,489)	(204)	-	749	-	(943)
At 31 December 2024	<u>18</u>	<u>195,379</u>	<u>3,758</u>	<u>133,643</u>	<u>109,419</u>	<u>117,663</u>	<u>559,880</u>
31 December 2024							
Cost	12,466	350,661	19,164	304,961	118,027	158,980	964,259
Accumulated amortisation and impairment	(12,448)	(155,282)	(15,406)	(171,318)	(8,608)	(41,317)	(404,379)
Net carrying amount	<u>18</u>	<u>195,379</u>	<u>3,758</u>	<u>133,643</u>	<u>109,419</u>	<u>117,663</u>	<u>559,880</u>

The information about the impairment loss of other intangible assets is disclosed in note 16 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

15. OTHER INTANGIBLE ASSETS (CONTINUED)

	Patents	Non-patent technology	Software	Customer relationship	Brands*	Exclusive distribution rights	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023							
Cost at 1 January 2023 net of accumulated amortisation	120	232,672	4,041	180,941	104,949	97,693	620,416
Additions	20	-	1,607	-	-	-	1,627
Amortisation provided during the year	(125)	(21,510)	(2,469)	(23,648)	(950)	(12,208)	(60,910)
Exchange realignment	5	7,570	548	(1)	5,621	-	13,743
At 31 December 2023	20	218,732	3,727	157,292	109,620	85,485	574,876
31 December 2023							
Cost	12,462	351,713	17,511	304,961	117,198	112,480	916,325
Accumulated amortisation and impairment	(12,442)	(132,981)	(13,784)	(147,669)	(7,578)	(26,995)	(341,449)
Net carrying amount	20	218,732	3,727	157,292	109,620	85,485	574,876

* The brands with indefinite useful lives, consisted of one brand of approximately RMB31,350,000 (2023: RMB30,881,000) that was acquired from the business combination of the hydrophilic intraocular lenses and PMMA products business from Aaren Scientific Inc. ("Aaren Business"), a legal entity registered in the USA, with an indefinite useful life in 2016, and one brand of approximately RMB71,736,000 (2023: RMB71,456,000) that was acquired from the business combination of Contamac Group, with an indefinite life in 2017.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

15. OTHER INTANGIBLE ASSETS (CONTINUED)

During the year ended 31 December 2024, the Group determined the impairment of intangible assets with indefinite useful lives using the income approach – relief-from-royalty method. The value in use was determined under this method, cash flow projections of which were based on financial budgets approved by senior management. The discount rate used in the cash flow projection of Aaren Business was 14% (2023: 13%). The growth rate used to extrapolate the cash flows of Aaren Business beyond the five-year period was 2.1% (2023: 2.2%). The discount rate used in the cash flow projection of Contamac Group was 13% (2023: 11%). The growth rate used to extrapolate the cash flows of Contamac Group beyond the five-year period was 2% (2023: 2%).

Assumptions were used in the value-in-use calculation of cash-generating units for 31 December 2024. The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of the other intangible assets:

- Discount rates – The discount rates used were before tax and reflect specific risks relating to the relevant units.
- Growth rates – The growth rates were based on industry growth forecasts.
- Changes in selling prices and direct costs – These were based on past practices and expectations of future changes in the market.

The values assigned to the key assumptions on discount rates, growth rates and changes in selling prices and direct costs were consistent with external information sources.

16. GOODWILL

	2024 RMB'000	2023 RMB'000
At the beginning of the year	413,021	411,199
Acquisition of a subsidiary (note 35)	9,807	–
Exchange realignment	100	1,822
At the end of the year	<u>422,928</u>	<u>413,021</u>

Impairment testing of goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

Goodwill acquired through business combinations was allocated to the following cash-generating units for impairment testing:

Cash-generating unit named NIMO Group;

Cash-generating unit of Aaren Business;

Cash-generating unit named Contamac Group;

Cash-generating unit named Qingdao Huayuan;

Cash-generating unit named Hangzhou Aijinglun¹;

Cash-generating unit named JUVA MEDICAL Group²

Cash-generating unit named Bioxis²; and

Cash-generating unit named Xiamen Nanpeng Optical Co., Ltd. (“Xiamen Nanpeng”)³

Cash-generating unit named Shanghai Shenhao Eye Health Technology Development Co., Ltd (“Shenhao Eye Health”)⁴

¹ During the year ended 31 December 2020, the Group acquired a total of 55.00% of equity shares of Hangzhou Aijinglun.

² During the year ended 31 December 2021, the Group acquired a total of 63.64% of equity shares of JUVA MEDICAL Group and 65.61% equity shares of Bioxis.

³ During the year ended 31 December 2022, the Group acquired a total of 51.00% of equity shares of Xiamen Nanpeng.

⁴ During the year ended 31 December 2024, the Group acquired a total of 51.00% of equity shares of Shenhao Eye Health.

Cash-generating unit named NIMO Group

The recoverable amount of the cash-generating unit named NIMO Group was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 14% (2023: 16%). The growth rate used to extrapolate the cash flows beyond the five-year period was 2% (2023: 2.3%).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

Cash-generating unit of Aaren Business

During the year ended 31 December 2022, in view of the termination of the distribution agreement between Aaren and the former domestic exclusive distributor in China and the proposed re-integration of the domestic sales channels of the Aaren-branded IOL products, the management of the Company believed that there were indications of impairment on the Aaren business, and an impairment test was conducted. According to the results of the impairment test, the total impairment loss on the goodwill, property, plant and equipment and other intangible assets of the Aaren business amounted to approximately USD6,615,000 (equivalent to RMB46,071,000) which consisted of the impairment loss on goodwill amounted to USD1,375,000 (equivalent to RMB9,574,000), impairment loss of property, plant and equipment amounted to USD996,000 (equivalent to RMB6,936,000) and impairment loss on other intangible assets amounted to USD4,244,000 (equivalent to RMB29,561,000).

Cash-generating unit named Contamac Group

The recoverable amount of the cash-generating unit named Contamac Group was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 14% (2023: 14%). The growth rate used to extrapolate the cash flows beyond the five-year period was 2% (2023: 2%).

Cash-generating unit named Qingdao Huayuan

The recoverable amount of the cash-generating unit named Qingdao Huayuan was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 13% (2023: 16%). The growth rate used to extrapolate the cash flows beyond the five-year period was 2% (2023: 2.3%).

Cash-generating unit named Hangzhou Aijinglun

The recoverable amount of the cash-generating unit named Hangzhou Aijinglun was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 15% (2023: 16%). The growth rate used to extrapolate the cash flows beyond the five-year period was 2% (2023: 2.3%).

Cash-generating unit named JUVA MEDICAL Group

The recoverable amount of the cash-generating unit named JUVA MEDICAL Group was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a six-year period approved by senior management. The discount rate applied to the cash flow projections was 21% (2023: 22%). The growth rate used to extrapolate the cash flows beyond the six-year period was 2% (2023: 2.3%).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

Cash-generating unit named Bioxis

The recoverable amount of the cash-generating unit named Bioxis was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a six-year period approved by senior management. The discount rate applied to the cash flow projections was 22% (2023: 26%). The growth rate used to extrapolate the cash flows beyond the six-year period was 2% (2023: 2%).

Cash-generating unit named Xiamen Nanpeng

The recoverable amount of the cash-generating unit named Xiamen Nanpeng was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 26% (2023: 27%). The growth rate used to extrapolate the cash flows beyond the five-year period was 2% (2023: 2.3%).

Cash-generating unit named Shenhao Eye Health

The recoverable amount of the cash-generating unit named Shenhao Eye Health was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 23%. The growth rate used to extrapolate the cash flows beyond the five-year period was 2%.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2024 RMB'000	2023 RMB'000
NIMO Group	266,026	266,026
Hangzhou Aijinglun	53,349	53,349
Qingdao Huayuan	32,115	32,115
Contamac Group	25,556	25,456
Bioxis	19,730	19,730
Xiamen Nanpeng	13,660	13,660
Shenhao Eye Health	9,807	-
JUVA MEDICAL	2,685	2,685
Total	<u>422,928</u>	<u>413,021</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

Cash-generating unit named Shenhao Eye Health (Continued)

Assumptions were used in the value-in-use calculation of cash-generating units for 31 December 2024. The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of goodwill:

- Discount rates – The discount rates used were before tax and reflect specific risks relating to the relevant units.
- Growth rates – The growth rates were based on industry growth forecasts.
- Changes in selling prices and direct costs – These were based on past practices and expectations of future changes in the market.

The values assigned to the key assumptions on discount rates, growth rates and changes in selling prices and direct costs were consistent with external information sources.

17. INVESTMENT IN AN ASSOCIATE

	2024 RMB'000	2023 RMB'000
Share of net assets	<u>4,473</u>	<u>3,471</u>

The Group's trade receivables with the associate are disclosed in note 21 to the financial statements. As at 31 December 2024 and 2023, there was no trade payable balance with the associate.

The following table illustrates the financial information of the Group's associate that is not individually material, Lifeline Medical Devices Private Limited ("Lifeline"):

	2024 RMB'000	2023 RMB'000
Share of the associate's profit for the year	986	456
Share of the associate's total comprehensive income for the year	986	456
Aggregate carrying amount of the Group's investment in the associate	<u>4,473</u>	<u>3,471</u>

NOTES TO FINANCIAL STATEMENTS

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18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 RMB'000	2023 RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
Union Medical Healthcare Limited	2,227	5,659
Raily Aesthetic Medicine International Holdings Ltd.	1,321	4,350
Aesthetic Medical International Holdings Group Limited	552	1,222
Subtotal	<u>4,100</u>	<u>11,231</u>
Unlisted equity investments		
Shenwu No.1 Investment Product	246,950	239,136
Eirion Therapeutics, Inc.	150,511	169,985
Shanghai Semecell Technology Co., Ltd.	27,648	96,000
Zhejiang Boye Biotech Limited	20,000	–
Jiangsu Meifengli Medical Technology Co., Ltd.	17,660	52,800
ArcScan, Inc.	13,866	17,395
Genzhishiguang Technology (Shanghai) Co., Ltd	8,638	10,000
Ornovi, Inc.	7,188	7,083
Subtotal	<u>492,461</u>	<u>592,399</u>
Total	<u><u>496,561</u></u>	<u><u>603,630</u></u>

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

During the year ended 31 December 2024, the Group disposed of its investment in Shanghai Resthetic Biotechnology Co., Ltd. The fair value on the date of disposal was approximately RMB13,158,000 and the accumulated gain recognised in other comprehensive income of approximately RMB3,158,000 was transferred to retained earnings.

During the year ended 31 December 2023, the Group disposed of a portion of its investment in Union Medical Healthcare Limited. The fair value on the date of disposal was approximately RMB14,565,000 and the accumulated gain recognised in other comprehensive income of approximately RMB9,719,000 was transferred to retained earnings.

During the year ended 31 December 2023, the Group disposed of its investment in Jiangsu Meisikang Medical Technology Co., Ltd. The fair value on the date of disposal was approximately RMB9,800,000 and the accumulated gain recognised in other comprehensive income of approximately RMB1,801,000 was transferred to retained earnings.

19. OTHER NON-CURRENT ASSETS

	2024 RMB'000	2023 RMB'000
Prepayments for property, plant and equipment	25,340	92,185

20. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	174,793	171,778
Work in progress	63,849	62,173
Finished goods	232,211	210,138
Merchandises	67,376	99,908
Subtotal	538,229	543,997
Less: Provision for inventories	47,578	17,823
Total	490,651	526,174

None of the Group's inventories was pledged during the years ended 31 December 2024 and 2023.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

21. TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Bills receivable	8,170	9,222
Trade receivables	347,533	364,880
Impairment	(31,423)	(37,019)
Net carrying amount	<u>324,280</u>	<u>337,083</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to twelve months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Included in the Group's trade and bills receivables were amounts due from the Group's associate of approximately RMB8,130,000 (2023: RMB5,926,000), which were repayable on credit terms similar to those offered to the major customers of the Group.

An ageing analysis of trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	313,591	328,230
1 to 2 years	8,665	8,853
2 to 3 years	2,024	-
Total	<u>324,280</u>	<u>337,083</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2024 RMB'000	2023 RMB'000
At 1 January	37,019	38,864
Reversal of impairment losses recognised, net	(2,854)	(2,078)
Amount written off as uncollectible	(2,298)	–
Exchange realignment	(444)	233
At 31 December	<u>31,423</u>	<u>37,019</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The information about the credit risk exposure on the Group's trade receivables using a provision matrix is disclosed in note 43 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 RMB'000	2023 RMB'000
Prepayments	52,792	52,252
Input value added tax to be deducted	27,432	22,306
Deposits and other receivables	46,939	23,579
Compensation receivable derived from the relocation of aborted plant	2,000	2,000
Other current assets*	–	25,238
Impairment allowance	(3,877)	(3,250)
Total	125,286	122,125

* Long-term receivables from the companies controlled by the non-controlling interests of JUVA MEDICAL Group arising before acquisition. The controlling shareholder of the Group, Mr. Jiang Wei, paid off the part which has not been collected back as of 31 December 2024.

The movements in provision for impairment allowance of deposits and other receivables are as follows:

	2024 RMB'000	2023 RMB'000
At 1 January	3,250	3,162
Impairment losses recognised, net	625	105
Exchange realignment	2	(17)
At 31 December	3,877	3,250

Included in the above provision for impairment allowance of deposits and other receivables was no provision for individually fully impaired other receivables as at 31 December 2024 (2023: Nil).

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied for as at 31 December 2024 and 2023 is disclosed in note 43 to the financial statements.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2024 and 2023, the loss allowance was assessed to be minimal.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RMB'000	2023 RMB'000
Other unlisted investments, at fair value	61,386	11,083
Consideration receivable from acquisition of non-controlling interest	26,460	–
	<u>87,846</u>	<u>11,083</u>

The above investments were classified as financial assets at fair value through profit or loss as they were held for trading.

As of 31 December 2024, the unlisted investments comprised two assets: convertible bonds issued by Eirion, valued at RMB57,508,000 (2023: RMB7,082,000), and a private equity stake in Changzhou Qingma No. 3 Venture Capital Partnership (Limited Partnership), valued at RMB3,878,000 (2023: RMB4,000,000). In addition, a consideration receivable from acquisition of non-controlling interest of NIMO, valued at RMB26,460,000, was recognised as financial asset.

24. ASSETS CLASSIFIED AS HELD FOR SALE

	2024 RMB'000	2023 RMB'000
Equity investments designated at fair value through other comprehensive income	–	13,000

As of 31 December 2023, the held-for-sale assets were investments in other equity instruments disposed in the first quarter of 2024, specifically equity investments in Shanghai Resthetic Biotechnology Co., Ltd. The agreement for the disposal of the equity investments was signed in December 2023.

25. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	2024 RMB'000	2023 RMB'000
Cash and bank balances and pledged deposits	2,630,205	2,740,679
Time deposits with original maturity of more than three months when acquired	(1,516,401)	(2,170,681)
Subtotal	1,113,804	569,998
Less: Pledged time deposit:		
Guarantee deposits	899	680
Other pledged deposits	–	–
Cash and cash equivalents	<u>1,112,905</u>	<u>569,318</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

25. CASH AND BANK BALANCES AND PLEDGED DEPOSITS (CONTINUED)

At the end of the reporting period, nearly 83% (2023: 90%) of the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods between three months and one year, depending on the immediate cash requirements of the Group. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

26. TRADE PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	<u>62,099</u>	<u>55,108</u>

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 3 months	52,489	51,602
3 months to 1 year	8,902	1,197
Over 1 year	<u>708</u>	<u>2,309</u>
Total	<u>62,099</u>	<u>55,108</u>

These trade payables were normally settled within 90 days, which represented credit terms similar to those offered by the joint venture to its major customers.

The trade payables were non-interest-bearing and were normally settled on terms of 30 to 90 days.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

27. OTHER PAYABLES AND ACCRUALS

	2024 RMB'000	2023 RMB'000
Current:		
Payroll and welfare payable	120,763	121,286
Payables related to:		
Government grants received	85,400	44,670
Deposits received	39,068	39,324
Purchases of property, plant and equipment	25,335	28,248
Acquisition of subsidiaries and contingent consideration	4,500	1,572
Others	19,499	17,853
Contract liabilities – short-term advances received from customers	110,691	80,023
Accrued expenses	56,523	52,833
Other taxes payable	18,932	24,007
	<u>480,711</u>	<u>409,816</u>
Non-current:		
Payables for acquisition of the subsidiaries and contingent consideration	–	4,500
	<u>480,711</u>	<u>414,316</u>

Notes:

Except for the payables for acquisition of the subsidiaries and contingent consideration, the above balances were non-interest-bearing and repayable on demand.

RMB4,500,000 will be paid to the original shareholders of Hangzhou Aijinglun, provided that Hangzhou Aijinglun obtains the registration certificate from the relevant authorities for certain new products under development within five years from the date of acquisition. Due to the payment date falling within one year, the non-current payables were reclassified to current payables.

(a) Details of contract liabilities are as follows:

	2024 RMB'000	2023 RMB'000
Short-term advances received from customers		
Sale of goods	<u>110,691</u>	<u>80,023</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2024			31 December 2023		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities (note 14(b))	3.60-5.80	2025	18,595	4.24-5.80	2024	20,310
Bank loans						
unsecured (a)	2.22-2.40	2025	211,500	3.10	2024	10,000
Current portion of long term other loans						
guaranteed (b)	2.25	2025	1,129	2.25	2024	1,332
Current portion of long term bank loans						
guaranteed (b)	0.73	2025	1,168	0.73	2024	1,219
unsecured (c)	1.80-2.50	2025	73,291	2.3-2.65	2024	183,764
Total – current			<u>305,683</u>			<u>216,625</u>
Non-current						
Lease liabilities (note 14(b))	3.60-5.80	2025-2030	32,023	4.24-5.80	2024-2029	33,883
Bank loans						
unsecured (c)	1.80-2.50	2025-2027	109,082	2.3-2.65	2024-2026	153,373
guaranteed (b)	0.73	2025-2026	698	0.73	2024-2026	1,907
Other loans						
guaranteed (b)	2.25	2025-2026	941	2.25	2024-2026	2,161
Total – non-current			<u>142,744</u>			<u>191,324</u>
Total			<u>448,427</u>			<u>407,949</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2024 RMB'000	2023 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	285,959	194,983
In the second year	76,680	44,659
In the third to fifth years, inclusive	33,100	110,621
Subtotal	<u>395,739</u>	<u>350,263</u>
Other borrowings repayable:		
Within one year or on demand	19,724	21,642
In the second year	13,355	17,002
In the third to fifth years, inclusive	14,093	14,884
Beyond five year	5,516	4,158
Subtotal	<u>52,688</u>	<u>57,686</u>
Total	<u><u>448,427</u></u>	<u><u>407,949</u></u>

Notes:

- (a) The short term unsecured bank loans represent the loans obtained by the Company, Shanghai Qisheng with interest rates of 2.22%-2.40% in 2024.
- (b) The guaranteed bank and other loans represent the loans obtained by Bioxis guaranteed by the government.
- (c) The long term unsecured bank loans represent the loans obtained by the Company, Shanghai Qisheng, Haohai Development and Shanghai JianHua with interest rates of 1.80%-2.50% in 2024.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

2024

	Depreciation allowance in excess of related depreciation	Fair value adjustments arising from acquisition of subsidiaries	Withholding tax	Fair value adjustment of equity investment at fair value through other comprehensive income	Fair value adjustment of equity investment at fair value through profit or loss	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	6,744	130,793	9,535	14,593	-	4,496	166,161
Deferred tax arising from acquisition of a subsidiary (note 35)	-	11,625	-	-	-	-	11,625
Deferred tax charged/(credited) to profit or loss	1,452	(15,054)	-	-	6,615	2,486	(4,501)
Deferred tax charged to other comprehensive income	-	-	-	(14,593)	-	-	(14,593)
Exchange realignment	55	(159)	177	-	-	-	73
Gross deferred tax liabilities at 31 December 2024	8,251	127,205	9,712	-	6,615	6,982	158,765

2023

	Depreciation allowance in excess of related depreciation	Fair value adjustments arising from acquisition of subsidiaries	Withholding tax	Fair value adjustment of equity investment at fair value through other comprehensive income	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	6,405	136,405	9,419	11,279	5,675	169,183
Deferred tax charged/(credited) to profit or loss	(122)	(8,672)	-	-	(1,179)	(9,973)
Deferred tax charged to other comprehensive income	-	-	-	3,314	-	3,314
Exchange realignment	461	3,060	116	-	-	3,637
Gross deferred tax liabilities at 31 December 2023	6,744	130,793	9,535	14,593	4,496	166,161

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. DEFERRED TAX (CONTINUED)

Deferred tax assets

2024

	Lease liabilities	comprehensive income	Accruals	Impairment of receivables and provision for inventories	Deferred income	Unrealised profit from intragroup transactions	Fair value adjustment of equity investment at fair value through profit or loss	Deductible losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	4,499	6,677	6,784	11,147	755	11,610	-	16,148	57,620
Deferred tax credited/(charged) to profit or loss	2,726	-	(1,904)	(1,779)	(226)	(3,384)	18	8,731	4,182
Deferred tax charged to other comprehensive income	-	3,476	-	-	-	-	-	-	3,476
Exchange differences	-	-	100	172	-	-	-	749	1,021
Gross deferred tax assets at 31 December 2024	<u>7,225</u>	<u>10,153</u>	<u>4,980</u>	<u>9,540</u>	<u>529</u>	<u>8,226</u>	<u>18</u>	<u>25,628</u>	<u>66,299</u>

2023

	Lease liabilities	comprehensive income	Accruals	Impairment of receivables and provision for inventories	Deferred income	Unrealised profit from intragroup transactions	Deductible losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	5,828	6,753	10,038	11,165	825	10,345	20,044	64,998
Deferred tax credited/(charged) to profit or loss	(1,329)	-	(3,256)	(74)	(70)	1,265	(4,566)	(8,030)
Deferred tax charged to other comprehensive income	-	(76)	-	-	-	-	-	(76)
Exchange differences	-	-	2	56	-	-	670	728
Gross deferred tax assets at 31 December 2023	<u>4,499</u>	<u>6,677</u>	<u>6,784</u>	<u>11,147</u>	<u>755</u>	<u>11,610</u>	<u>16,148</u>	<u>57,620</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. DEFERRED TAX (CONTINUED)

Deferred tax assets (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2024 RMB'000	2023 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	59,300	53,124
Net deferred tax liabilities in respect of continuing operations	151,766	161,665

The Group has tax losses of approximately RMB516,492,000 (2023: RMB332,125,000) arising in Mainland China that will expire in one to ten years for offsetting against future taxable profits. The Group has tax losses arising in Hong Kong, UK and USA of approximately RMB71,897,000 (2023: RMB22,655,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2024, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiary, Contamac. In the opinion of the Directors, it is not probable that this subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investment in Contamac in the U.K. for which deferred tax liabilities have not been recognised amounted to approximately RMB169,299,000 at 31 December 2024 (2023: RMB137,977,000).

30. DEFERRED INCOME

	2024 RMB'000	2023 RMB'000
Government grants		
At 1 January	13,625	5,500
Additions	6,393	15,009
Released during the year	(4,612)	(6,884)
At 31 December	15,406	13,625

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31. PROVISION

	Warranties RMB'000	Litigation RMB'000	Total RMB'000
At 1 January 2024	1,077	62	1,139
Addition	–	27,603	27,603
Reversal of unutilised amounts	(138)	–	(138)
Amounts utilised during the year	–	(62)	(62)
At 31 December 2024	<u>939</u>	<u>27,603</u>	<u>28,542</u>
	Warranties RMB'000	Litigation RMB'000	Total RMB'000
At 1 January 2023	793	–	793
Addition	<u>284</u>	<u>62</u>	<u>346</u>
At 31 December 2023	<u>1,077</u>	<u>62</u>	<u>1,139</u>

The provision for warranties was recognised in respect of anticipated liability claims in respect of products sold by EndyMed in the period from one year to three years, based on the Group's past experience with respect to the repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

Contingent liabilities amounted to RMB27,603,000 as at 31 December 2024 were related to several ongoing litigation cases.

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31 December 2024

32. SHARE CAPITAL

	2024 RMB'000	2023 RMB'000
Issued and fully paid:233,193,695 (2023: 171,477,258) ordinary shares of RMB1.00 each	<u>233,194</u>	<u>171,477</u>

A summary of the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 31 December 2022 and 1 January 2023	174,130,000	174,130
Cancellation of repurchased H shares (note 1)	<u>(3,434,900)</u>	<u>(3,435)</u>
Issue of A shares (note 2)	782,158	782
At 31 December 2023 and 1 January 2024 (note 6)	171,477,258	171,477
Issue of A shares (note 3)	526,445	526
Capitalisation issue of new shares (note 4)	66,782,692	66,784
Cancellation of repurchased H shares (note 5)	<u>(5,592,700)</u>	<u>(5,593)</u>
At 31 December 2024 (note 6)	<u>233,193,695</u>	<u>233,194</u>

Note 1:

On 14 February 2023, the Company cancelled 2,859,000 H Shares which were repurchased during the year ended 31 December 2022. In addition, during the year ended 31 December 2023, the Company repurchased 3,872,400 H shares as treasury shares, which accounted for approximately 2.2239% of the Company's total share capital, at a total consideration of approximately HK\$167,506,000 (equivalent to approximately RMB152,816,000). 575,900 H shares were cancelled on 16 June 2023. The remaining 3,296,500 H shares, at a total consideration of approximately HK\$143,204,000 (equivalent to RMB131,294,000) were accounted as treasury shares as of 31 December 2023.

During the year ended 31 December 2023, the Company also repurchased 1,089,486 A shares as treasury shares, which accounted for approximately 0.6257% of the Company's total share capital, at a total consideration of approximately RMB117,161,000. These repurchased A shares were not cancelled and accounted as treasury shares as of 31 December 2023.

Note 2:

The subscription rights attaching to 782,158 share options were exercised at the subscription price of RMB94.20 per share (note 33), resulting in the issue of 782,158 shares for a total cash consideration, before expenses, of RMB73,682,000.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

32. SHARE CAPITAL (CONTINUED)

Note 3:

The subscription rights attaching to 526,445 share options were exercised at the subscription price of RMB93.90 per share (note 33), resulting in the issue of 526,445 shares for a total cash consideration, before expenses, of RMB49,451,000.

Note 4:

On 8 March 2024, the directors proposed to issue 4 new shares for every 10 existing shares of the Company to the shareholders by transferring reserve to share capital (the "Capitalisation Issue"), which was approved by the shareholders of the Company at the annual general meeting of the Company on 29 May 2024. In June 2024, the Capitalisation Issue was completed, resulting in issuance of 66,782,692 shares (comprising 54,943,252 A shares and 11,839,440 H shares), and approximately RMB66,784,000 was transferred from share premium in capital reserve to share capital.

Note 5:

On 20 March 2024, the aforementioned 3,296,500 H Shares were cancelled. In addition, during the year ended 31 December 2024, the Company repurchased 2,492,100 H shares as treasury shares, which accounted for approximately 1.069% of the Company's total share capital, at a total consideration of approximately HK\$75,982,000 (equivalent to approximately RMB69,587,000), among which, a total of 2,296,200 repurchased H shares were cancelled as of 31 December 2024. The remaining 195,900 H shares, at a total consideration of approximately HK\$5,297,000 (equivalent to RMB4,899,000) were accounted as treasury shares as of 31 December 2024.

During the year ended 31 December 2024, the Company also repurchased 1,418,934 A shares as treasury shares, which accounted for approximately 0.6085% of the Company's total share capital, at a total consideration of approximately RMB106,280,000. These repurchased A shares were not cancelled and accounted as treasury shares as of 31 December 2024.

Note 6:

As of 31 December 2024, treasury shares were amounted to RMB228,341,000 (comprising 195,900 H shares and 2,508,420 A shares) and as of 31 December 2023, treasury shares were amounted to RMB248,455,000 (comprising 3,296,500 H shares and 1,089,486 A shares). These treasury shares will be either used for implementing of future shares incentive scheme or to be cancelled.

NOTES TO FINANCIAL STATEMENTS

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33. SHARE OPTION SCHEME

2021 A-share restricted stock share option plan

The Company operates an A-share restricted stock share option plan (the “Plan”) for the purpose of providing incentives and rewards to eligible core employees of the Group.

The Company held the meetings of the Board of Directors and Board of Supervisors on 29 December 2021 and 11 March 2022 separately, which passed the motion and the adjustment on the matters related to the first grant of the 2021 A-share Restricted Stock share option Plan (the “First Grant”). After the amendment, the number of employees eligible for the First Grant was adjusted from 206 to 204, the number of restricted shares granted for the First Grant was adjusted from 1,450,000 shares to 1,440,000 shares, the number of reserved shares was adjusted from 350,000 shares to 360,000 shares, and the total number of restricted stock grants under the Scheme remained unchanged at 1,800,000 shares. The First Grant date was 11 March 2022. 1,440,000 restricted shares were granted for the first time to 204 incentive recipients at a grant price of RMB95.00 per share. The Scheme does not give holders the right to receive dividends or vote at general meetings.

The Company distributed a cash dividend of RMB0.70 (including tax) per share on 2 August 2022, and the grant price of the restricted stock at the First Grant and the reserved part of the restricted stock is adjusted from RMB95.00 per share to RMB94.30 per share because the aforementioned annual distribution of equity has been implemented.

The Company granted 360,000 reserved restricted shares to 93 incentive recipients at a grant price of RMB94.30 per share on 16 November 2022 (the “Second Grant”).

The Company distributed a cash dividend of RMB0.40 (including tax) per share on 12 July 2023, and the grant price of the restricted stock at the First Grant and the reserved part of the restricted stock is further adjusted from RMB94.30 per share to RMB93.90 per share because the aforementioned annual distribution of equity has been implemented.

The Company distributed a cash dividend of RMB0.40 (including tax) per share on 30 May 2024, and the grant price of the restricted stock at the First Grant and the reserved part of the restricted stock is further adjusted from RMB93.90 per share to RMB65.96 per share, because the aforementioned annual distribution of equity has been implemented.

The Company converted capital reserve into share capital on 30 May 2024 (note 32) and the grant number of the restricted stock at the First Grant and the reserved part of the restricted stock is further adjusted to 456,908 shares, because the aforementioned capital reserve converted into share capital has been implemented.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

33. SHARE OPTION SCHEME (CONTINUED)

2021 A-share restricted stock share option plan (Continued)

The restricted stock granted for the first time and the second time under the Scheme will be acquired and registered in instalments according to the following vesting ratio after the incentive recipient satisfies the corresponding vesting conditions:

Vesting arrangements	Vesting period	The ratio of vested interests of the total number of benefits granted
The first vesting period for the First/Second grant of restricted stock	From the first trading day after 12 months from the date of the First/Second grant to the last trading day within 24 months from the date of the first/second grant	50%
The second vesting period for the First/Second grant of restricted stock	From the first trading day after 24 months from the date of the First/Second grant to the last trading day within 36 months from the date of the first/second grant	50%

After satisfying the vesting conditions, employees have the right to purchase shares according to the exercisable right price, and if the vesting conditions of the Scheme are met during the vesting period, the incentive recipients can apply for share vesting and the share can be listed and circulated.

The following share options were outstanding under the Scheme during 2024:

	2024		2023	
	Weighted average exercise price RMB per share	Number of options '000	Weighted average exercise price RMB per share	Number of options '000
At 1 January 2024	93.90	877	94.30	1,800
Exercised during the year	93.90	(526)	94.20	(782)
Capitalisation Issue	65.96	131	–	–
Expired during the year	65.96	(43)	93.90	(141)
At 31 December 2024	65.96	439	93.90	877

The weighted average share price at the date of exercise for share options exercised during the year was RMB112.00 per share (2023: RMB104.98 per share).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

33. SHARE OPTION SCHEME (CONTINUED)

2021 A-share restricted stock share option plan (Continued)

The exercise price and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2024

Number of options '000	Exercise price* RMB per share	Exercise period
214	65.96	2024/3/11-2025/3/7
225	65.96	2024/11/18-2025/11/14
<u>439</u>		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital. The exercise price of the First Grant was RMB65.96 per share based on dividends.

2023

Number of options '000	Exercise price* RMB per share	Exercise period
703	93.90	2024/3/11-2025/3/7
174	93.90	2024/11/18-2025/11/14
<u>877</u>		

NOTES TO FINANCIAL STATEMENTS

31 December 2024

33. SHARE OPTION SCHEME (CONTINUED)

2021 A-share restricted stock share option plan (Continued)

The Group recognised a share option expense of RMB3,002,000 during the year ended 31 December 2024 (2023: RMB14,676,000). The fair value of the share options are as follows:

Grant Period	Vesting arrangements	The fair value of the share option RMB per share
First Grant	The first vesting period	20.33
First Grant	The second vesting period	26.96
Second Grant	The first vesting period	13.36
Second Grant	The second vesting period	19.55

The fair value of equity-settled share options granted during 2022 was estimated as at the date of grant using a Black-Scholes Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2022 First Grant	2022 Second Grant
Dividend yield (%)	0.64%	0.64%
Expected volatility (%)	42.13%/43.59%	42.08%/43.77%
Historical volatility (%)	15.30%/18.36%	20.35%/18.38%
Risk-free interest rate (%)	2.18%/2.30%	2.29%/2.46%
Expected life of options (year)	1.5/2.5	1.5/2.5
Weighted average share price (RMB per share)	95.49	82.7

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 439,000 share options outstanding under the Scheme. The exercise of the outstanding share options would result in the issue of 439,000 additional ordinary shares of the Company and additional share capital of RMB439,000 and additional equity premium account of RMB28,517,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 439,300 share options outstanding under the Scheme, which represented approximately 0.10% of the Company's A-shares in issue at that date.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

34. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 11 to 12 of the financial statements.

Pursuant to the relevant laws and regulations in Mainland China, a portion of the profits of the Company was transferred to statutory reserve funds which are restricted as to use.

The amount of the Company's reserves available for distribution as at 31 December 2024, calculated in accordance with PRC rules and regulation, was RMB1,279,000,000.

35. BUSINESS COMBINATION

On 30 June 2024, the Group acquired a 51% equity interest in Shenhao Eye Health from third parties. Shenhao Eye Health is engaged in the sale of ophthalmic and optometric medical devices. The purchase consideration for the acquisition was in the form of cash, with RMB36,289,000 paid on or near the acquisition date.

The fair values of the identifiable assets and liabilities of Shenhao Eye Health as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	13	47
Other intangible assets	15	46,500
Inventories		245
Trade and bills receivables		199
Prepayments, deposits and other receivables		20,178
Cash and bank balances		280
Trade and bills payables		(17)
Other payables and accruals		(3,882)
Deferred tax liabilities	29	(11,625)
Total identifiable net assets at fair value		51,925
Non-controlling interests		(25,443)
		26,482
Goodwill on acquisition	16	9,807
Satisfied by cash		36,289

NOTES TO FINANCIAL STATEMENTS

31 December 2024

35. BUSINESS COMBINATION (CONTINUED)

The fair values of the trade receivables and other receivables as at the date of acquisition approximately amounted to RMB199,000 and RMB20,177,000, respectively. No impairment allowances were provided for trade receivables and other receivables as at the date of acquisition.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Total cash consideration paid	36,289
Less: cash consideration paid to Shenhao Eye Health as capital injection	(20,000)
Cash and bank balances acquired	<u>(280)</u>
Net inflow of cash and cash equivalents included in cash flows from investing activities	<u><u>16,009</u></u>

Since the acquisition, Shenhao Eye Health contributed RMB1,512,000 to the Group's revenue and incurred net loss of approximately RMB3,387,000 to the consolidated profit or loss for the year ended 31 December 2024.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB2,681,981,000 and RMB372,488,000, respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financial activities

2024

	Bank and other loans RMB'000	Lease liabilities RMB'000
At 1 January 2024	353,756	54,193
Changes from financing cash flows	28,454	(25,593)
New leases	–	20,828
Interest expense	15,823	2,238
Disposition	–	(770)
Foreign exchange movement	(224)	(278)
At 31 December 2024	<u>397,809</u>	<u>50,618</u>

2023

	Bank and other loans RMB'000	Lease liabilities RMB'000
At 1 January 2023	56,999	61,259
Changes from financing cash flows	292,409	(24,549)
New leases	–	17,634
Interest expense	5,187	2,108
Disposition	–	(3,272)
Foreign exchange movement	(839)	1,013
At 31 December 2023	<u>353,756</u>	<u>54,193</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2024 RMB'000	2023 RMB'000
Within operating activities	5,038	4,652
Within financing activities	25,593	24,549
Total	<u>30,631</u>	<u>29,201</u>

37. CONTINGENT LIABILITIES

As of 31 December 2024, EndyMed, a subsidiary of the Company, was sued for alleged patent infringement in Brazil. Given the case is in its early stages, the final outcome and potential compensation amount cannot be reliably estimated at present. Accordingly, no provision has been recognized as of the end of the reporting period. The Group will timely assess its financial impact based on the litigation's progress and apply appropriate accounting treatments.

38. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	2024 RMB'000	2023 RMB'000
Plant and machinery	439,126	541,152
Investment commitment	46,059	-
Total	<u>485,185</u>	<u>541,152</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

39. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2024 RMB'000	2023 RMB'000
<u>Purchases</u>		
Haohai Technology (Changxing) Co., Ltd.	4,287	6,959
<u>Sales</u>		
Lifeline	4,834	5,167

Notes:

- (i) During the year, the Group purchased the production accessories of approximately RMB4,287,000 (2023: approximately RMB6,959,000) from Haohai Technology (Changxing) Co., Ltd., a company controlled by the Controlling Shareholders. The transactions have been conducted in accordance with prices agreed between the parties with reference to market prices.
- (ii) During the year, the Group sold semi buttons of GBP571,000 (approximately RMB4,834,000) (2023: approximately RMB5,167,000) to the associate, Lifeline.
- (b) Other transactions with related parties:

During the year, the Company rented the rooms in Shanghai with a total building area of 329.77 square metres at an annual rental fee of RMB350,000 (2023: RMB350,000) and the other rooms in Shanghai, China with the same total building area at an annual rental fee of RMB350,000 (2023: RMB350,000) from Shanghai Haohai Chemical Company Limited and Ms. You Jie, respectively.

- (c) Compensation of key management personnel of the Group:

	2024 RMB'000	2023 RMB'000
Short term employee benefits	13,826	11,147
Pension scheme contributions	511	543
Total compensation paid to key management personnel	14,337	11,690

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

The related party transactions in respect of purchase from Haohai Technology (Changxing) Co., Ltd. above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS

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40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2024

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss—Debt investments RMB'000	Financial assets at fair value through other comprehensive income—Equity investments RMB'000	Financial assets at fair value through profit or loss—designated as such RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	496,561	–	496,561
Trade and bills receivables	316,110	8,170	–	–	324,280
Financial assets at fair value through profit or loss	–	–	–	87,846	87,846
Financial assets included in prepayments, other receivables and other assets	45,062	–	–	–	45,062
Pledged deposits	899	–	–	–	899
Cash and bank balances	2,629,306	–	–	–	2,629,306
Total	2,991,377	8,170	496,561	87,846	3,583,954

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value RMB'000	Total RMB'000
Trade payables	62,099	–	62,099
Financial liabilities included in other payables and accruals	83,903	4,500	88,403
Interest-bearing bank and other borrowings	448,427	–	448,427
Total	594,429	4,500	598,929

NOTES TO FINANCIAL STATEMENTS

31 December 2024

40. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

2023

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss–Debt investments RMB'000	Financial assets at fair value through other comprehensive income–Equity investments RMB'000	Financial assets at fair value through profit or loss–designed as such RMB '000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	603,630	–	603,630
Trade and bills receivables	327,861	9,222	–	–	337,083
Financial assets at fair value through profit or loss	–	–	–	11,083	11,083
Financial assets included in prepayments, other receivables and other assets	47,567	–	–	–	47,567
Pledged deposits	680	–	–	–	680
Cash and bank balances	2,739,999	–	–	–	2,739,999
Total	3,116,107	9,222	603,630	11,083	3,740,042

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value RMB'000	Total RMB'000
Trade payables	55,108	–	55,108
Financial liabilities included in other payables and accruals	86,997	4,500	91,497
Interest-bearing bank and other borrowings	407,949	–	407,949
Total	554,054	4,500	554,554

NOTES TO FINANCIAL STATEMENTS

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41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Financial liabilities:				
Interest-bearing bank and other borrowings (other than lease liabilities)	110,721	157,441	106,738	147,555
Interest-bearing bank and other financial liabilities included in other payables and accruals – contingent consideration	4,500	4,500	4,500	4,500

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The corporate finance team headed by the chief financial officer (the "CFO") is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of the reporting period, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the CFO.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments.

Liabilities for which fair values are disclosed:

As at 31 December 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings (other than lease liabilities)	–	106,738	–	106,738

As at 31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings (other than lease liabilities)	–	147,555	–	147,555

NOTES TO FINANCIAL STATEMENTS

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41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Assets measured at fair value:

As at 31 December 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	–	–	87,846	87,846
Trade and bills receivables	–	8,170	–	8,170
Equity investments designated at fair value through other comprehensive income	4,100	246,949	245,512	496,561
Total	4,100	255,119	333,358	592,577

As at 31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	–	–	11,083	11,083
Trade and bills receivables	–	9,222	–	9,222
Equity investments designated at fair value through other comprehensive income	11,231	239,136	353,263	603,630
Total	11,231	248,358	364,346	623,935

NOTES TO FINANCIAL STATEMENTS

31 December 2024

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 31 December 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial liabilities included in other payables and accruals- contingent consideration	—	—	4,500	4,500
Total	—	—	4,500	4,500

As at 31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial liabilities included in other payables and accruals- contingent consideration	—	—	4,500	4,500
Total	—	—	4,500	4,500

For Level 3 financial assets, the Group adopts the valuation techniques to determine the fair value. Valuation techniques include the market comparison approach etc. The fair value measurement of these financial instruments may involve unobservable inputs such as price to research and development costs ratio, liquidity discount, etc. Fair value change resulting from changes in the unobservable inputs was not significant. The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial assets in Level 3.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Unobservable inputs and sensitivity analysis for Level 3 assets

The financial assets measured at fair value held by the Group which were classified in Level 3 primarily correspond to certain unlisted equity securities not quoted in an active market.

For certain unlisted equity securities, the Group adopts the valuation techniques to determine the fair value. Valuation techniques include the market comparison approach, etc., which requires the Group to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as price to research and development costs ratio, for each comparable company identified. An increase (decrease) in price to research and development costs ratio would result in a higher (lower) fair value. An increase (decrease) in liquidity discount would result in a lower (higher) fair value.

The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

42. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are derecognised in their entirety

At 31 December 2024, the Group endorsed certain bills receivable accepted by banks in Mainland China (the “Derecognised Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB7,293,000 (2023: RMB7,132,000). The Derecognised Bills had a maturity of one to three months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the “Continuing Involvement”). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2024 and 2023, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the years or cumulatively. The endorsement has been made evenly throughout the years.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Group's foreign currency risk is not significant. Approximately 84% (2023: 84%) of the Group's sales were denominated in local currencies, which were the same as the units' functional currencies, while approximately 79% (2023: 78%) of the Group's costs were denominated in local currencies, which were the same as the units' functional currencies. The Group would reserve some foreign currencies to meet the requirement of payments, which resulted in an insignificant foreign currency risk for the Group. The Group's interest rate risk is not significant, which is since the non-current portion of interest-bearing bank and other borrowings is subject to a fixed interest rate. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

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31 December 2024

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging as at 31 December 2024

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2024 and 31 December 2023. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2024

	12-months ECLs	Lifetime ECLs	
	Stage 1	Simplified	Total
	RMB'000	approach	RMB'000
		RMB'000	RMB'000
Trade receivables	–	347,533	347,533
Financial assets included in prepayments, other receivables and other assets	46,939	–	46,939
Total	46,939	347,533	394,472

As at 31 December 2023

	12-months ECLs	Lifetime ECLs	
	Stage 1	Simplified	Total
	RMB'000	approach	RMB'000
		RMB'000	RMB'000
Trade receivables	–	364,880	364,880
Financial assets included in prepayments, other receivables and other assets	25,579	–	25,579
Total	25,579	364,880	390,459

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix at 31 December 2024 is set out below:

As at 31 December 2024

Trade Receivable	Ageing			
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years
Expected credit loss rate	5%	24%	52%	100%
Gross carrying amount (RMB'000)	322,446	11,448	4,208	9,431
Expected credit losses (RMB'000)	17,024	2,785	2,183	9,431

As at 31 December 2023

Trade Receivable	Ageing			
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years
Expected credit loss rate	4%	55%	100%	100%
Gross carrying amount (RMB'000)	331,913	18,761	5,153	9,053
Expected credit losses (RMB'000)	12,493	10,320	5,153	9,053

For the financial assets included in prepayments, other receivables and other assets to which the Group applies the general approach for impairment, information based on the provision matrix is set out below:

As at 31 December 2024

Financial Asset	Ageing			
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years
Expected credit loss rate	4%	7%	35%	75%
Gross carrying amount (RMB'000)	32,763	11,575	329	2,272
Loss allowance provision (RMB'000)	1,296	758	115	1,708

NOTES TO FINANCIAL STATEMENTS

31 December 2024

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

As at 31 December 2023

Financial Asset	Ageing			
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years
Expected credit loss rate	4%	12%	35%	75%
Gross carrying amount (RMB'000)	18,299	1,102	1,694	2,484
Loss allowance provision (RMB'000)	<u>668</u>	<u>128</u>	<u>587</u>	<u>1,867</u>

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Liquidity risk

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2024

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	44,584	17,515	–	–	–	62,099
Financial liabilities included in other payables and accruals	83,903	–	4,500	–	–	88,403
Lease liabilities	–	4,923	14,768	27,840	5,478	53,009
Interest-bearing bank and other borrowings (other than lease liabilities)	–	38,480	255,091	114,734	–	408,305
Total	<u>128,487</u>	<u>60,918</u>	<u>274,359</u>	<u>142,574</u>	<u>5,478</u>	<u>611,816</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

31 December 2023

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	40,746	14,362	–	–	–	55,108
Financial liabilities included in other payables and accruals	85,425	1,572	–	4,500	–	91,497
Lease liabilities	–	6,368	19,106	33,898	4,952	64,324
Interest-bearing bank and other borrowings (other than lease liabilities)	–	–	196,625	161,277	–	357,902
Total	<u>126,171</u>	<u>22,302</u>	<u>215,731</u>	<u>199,675</u>	<u>4,952</u>	<u>568,831</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 31 December 2023.

The Group monitors capital using a debt to assets ratio, which is debt divided by the total assets. Debt includes total current liabilities and total non-current liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

During the year, the Group's strategy was to maintain the debt to assets ratio at a healthy level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable debt to assets ratio to support its business. The debt to assets ratios at the end of the reporting periods are as follows:

	2024 RMB'000	2023 RMB'000
Total current liabilities	865,893	715,951
Total non-current liabilities	338,458	372,253
Debt	1,204,351	1,088,204
Total assets	7,121,392	7,105,497
Debt to assets ratio	16.9%	15.3%

44. EVENTS AFTER THE REPORTING PERIOD

Repurchase of A shares and H shares

During January 2025 to the date of this report, the Company repurchased a total of 333,961 A shares and 117,000 H shares at a total consideration of approximately RMB22,637,000 (including transaction fee).

The privatization of EndyMed's equity

On 26 November 2024, Haohai Healthcare Holdings (Cayman) Co., Ltd. ("Haohai Holdings (Cayman)"), EndyMed, and JuvaMed, which is a wholly-owned subsidiary of Haohai Holdings (Cayman), entered into a merger agreement under which EndyMed and JuvaMed were consolidated. Pursuant to the agreement, EndyMed became a wholly owned subsidiary of Juva Medical post-merger. The cash consideration for the merger was set at ILS 3.25 per share, amounting to a total transaction value of ILS 22,886,000. This merger agreement was approved by EndyMed's shareholders at general meeting held on 31 December 2024. The related equity interest transfer was subsequently registered and completed through the securities trading system on 13 February 2025.

Except for the transactions detailed elsewhere in these financial statements and the events set out in this note above, there was no material subsequent event undertaken by the Group after 31 December 2024.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	1,040,682	757,181
Right-of-use assets	106,822	118,564
Other intangible assets	–	1
Investments in subsidiaries	1,867,810	1,866,104
Equity investments designated at fair value through other comprehensive income	260,448	381,369
Deferred tax assets	6,728	3,772
Other non-current assets	3,262	75,173
Total non-current assets	<u>3,285,752</u>	<u>3,202,164</u>
CURRENT ASSETS		
Due from subsidiaries	1,740,386	659,483
Inventories	60,140	72,289
Trade and bills receivables	66,925	74,276
Prepayments, other receivables and other assets	19,065	22,364
Dividends receivable	220,000	240,000
Assets classified as held for sale	–	13,000
Pledged bank deposits	–	1
Financial assets at fair value through profit or loss	3,879	4,000
Cash and bank balances	686,760	2,055,525
Total current assets	<u>2,797,155</u>	<u>3,140,938</u>
CURRENT LIABILITIES		
Due to subsidiaries	1,419,782	1,586,184
Trade payables	10,357	9,184
Other payables and accruals	152,816	138,721
Interest-bearing bank and other borrowings	143,696	98,504
Tax payable	3,428	4,240
Total current liabilities	<u>1,730,079</u>	<u>1,836,833</u>
NET CURRENT ASSETS	<u>1,067,076</u>	<u>1,304,105</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>4,352,828</u>	<u>4,506,269</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	55,634	84,049
Deferred tax liabilities	–	14,618
Deferred income	3,524	4,112
Total non-current liabilities	<u>59,158</u>	<u>102,779</u>
NET ASSETS	<u>4,293,670</u>	<u>4,403,490</u>
EQUITY		
Share capital	233,194	171,477
Treasury shares	(228,341)	(248,455)
Reserves	4,288,817	4,480,468
TOTAL EQUITY	<u>4,293,670</u>	<u>4,403,490</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2023	3,125,950	63,919	88,923	904,838	4,183,630
Profit for the year	-	-	-	349,319	349,319
Available-for-sales investment revaluation reserve	-	20,587	-	-	20,587
Total comprehensive income for the year	-	20,587	-	349,319	369,906
Retirement of H shares	(92,129)	-	-	-	(92,129)
Issue of shares	72,900	-	-	-	72,900
Dividends declared	-	-	-	(68,515)	(68,515)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	-	(1,801)	-	1,801	-
Share-based payments credited to the owner's equity	14,676	-	-	-	14,676
As at 31 December 2023 and 1 January 2024	<u>3,121,397</u>	<u>82,705</u>	<u>88,923</u>	<u>1,187,443</u>	<u>4,480,468</u>
Profit for the year	-	-	-	376,056	376,056
Available-for-sales investment revaluation reserve	-	(102,174)	-	-	(102,174)
Total comprehensive income for the year	-	(102,174)	-	376,056	273,882
Repurchased of H shares					
Retirement of H shares	(190,817)	-	-	-	(190,817)
Issue of shares	48,925	-	-	-	48,925
Dividends declared	-	-	-	(259,859)	(259,859)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	-	(3,158)	-	3,158	-
Transfer from retained profits	-	-	27,674	(27,674)	-
Capitalisation issue of new shares	(66,784)	-	-	-	(66,784)
Share-based payments credited to the owner's equity	3,002	-	-	-	3,002
As at 31 December 2024	<u>2,915,723</u>	<u>(22,627)</u>	<u>116,597</u>	<u>1,279,124</u>	<u>4,288,817</u>

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2025.

DEFINITIONS

In this annual report, unless the context otherwise requires, the following expressions have the following meanings.

“A Share(s)”	ordinary shares in the share capital of the Company with a par value of RMB1.00 each and listed on the Sci-Tech Innovation Board of the SSE and traded in RMB
“A Share Offering”	the Company’s initial public offering of 17.8 million A Shares and listing on the Sci-Tech Innovation Board of the SSE
“A Shareholder(s)”	holder(s) of A Shares
“Articles of Association”	the Articles of Association of the Company, as amended, revised or supplemented from time to time
“Board”	the board of Directors of the Company
“Brighten Vision”	Shanghai Hengtai Vision Technology Co., Ltd. (上海亨泰視覺科技有限公司), a non-wholly-owned subsidiary of the Company
“Capitalization Issue”	in light of the Company’s 2023 Profit Distribution and Capital Reserve Capitalization Plan, the Company issues new A Shares and new H Shares to the Shareholders on the basis of 4 Shares for every existing 10 Shares out of capital reserves
“Company” or “Haohai Biological”	Shanghai Haohai Biological Technology Co., Ltd.* (上海昊海生物科技股份有限公司), a joint stock company incorporated in the PRC with limited liability and its H Shares and A shares are listed on the Hong Kong Stock Exchange (Stock Code: 6826) and the Sci-Tech Innovation Board of the SSE (Stock Code: 688366), respectively
“Company Law”	the Company Law of the People’s Republic of China, as amended from time to time
“Contamac”	Contamac Holdings limited, a non-wholly-owned subsidiary of the Company in UK
“CSRC”	China Securities Regulatory Commission
“Director(s)”	directors of the Company
“First Grant”	the grant of 1,440,000 Restricted Shares, representing 80% of the total number of Restricted Shares under the Incentive Scheme on 11 March 2022

DEFINITIONS

“Grant Price”	the price of each Restricted Share to be granted to the participants of the Incentive Scheme
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
“Hangzhou Aijinglun”	Hangzhou Aijinglun Technology Co., Ltd. (杭州愛晶倫科技有限公司), a non-wholly-owned subsidiary of the Company
“Haohai Holdings”	Haohai Healthcare Holdings Co., Ltd., a wholly-owned subsidiary of the Company in Hong Kong
“Haohai Development”	Shanghai Haohai Medical Technology Development Co., Ltd. (上海昊海醫藥科技發展有限公司), a wholly-owned subsidiary of the Company
“Haoleyuan”	Shanghai Haoleyuan Biotechnology Co., Ltd. (上海昊樂原生物技術有限公司), a wholly-owned subsidiary of the Company
“Henan Simedice”	Henan Simedice Biotechnologies Co. Ltd. (河南賽美視生物科技股份有限公司), a non-wholly-owned subsidiary of the Company
“Henan Universe”	Henan Universe Intraocular Lens Research and Manufacture Co., Ltd. (河南宇宙人工晶狀體研製有限公司), a wholly-owned subsidiary of the Company
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	the overseas-listed foreign share(s) in the share capital of the Company with a par value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange and traded in HKD
“H Shareholder(s)”	holder(s) of H Shares

DEFINITIONS

“Incentive Scheme” or “2021 Restricted A Share Incentive Scheme”	the Company’s 2021 restricted A Share incentive scheme approved and adopted by its Shareholders at the 2022 extraordinary general meeting, the 2022 first A Shareholders’ class meeting and the 2022 first H Shareholders’ class meeting held on 7 March 2022
“Independent Non-executive Director(s)”	the independent non-executive Director(s) of the Company
“Juva Medical”	OHMK (TianJin) Medical Technology Co. Ltd. (歐華美科(天津)醫學科技有限公司), a wholly-owned subsidiary of the Company
“Nanpeng Optics”	Xiamen Nanpeng Optical Company Limited (廈門南鵬光學有限公司), a non-wholly-owned subsidiary of the Company
“NIMO”	Shenzhen New Industries Material of Ophthalmology Co., Ltd. (深圳市新產業眼科新技術有限公司), a non-wholly-owned subsidiary of the Company
“NMPA”	The National Medical Products Administration of the PRC
“PRC”, “China” or “People’s Republic of China”	the People’s Republic of China which, for the purpose of this report only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Qingdao Huayuan”	Qingdao Huayuan Fine Biological Product Co., Ltd. (青島華元精細生物製品有限公司), a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period”	the 12-month period from 1 January 2024 to 31 December 2024
“Reserved Grant”	the grant of 360,000 Restricted Shares, representing 20% of the total number of Restricted Shares under the Incentive Scheme on 16 November 2022
“Restricted Share(s)”	A Share(s) to be granted to the Participants by the Company on such conditions and at the Grant Price stipulated under the Incentive Scheme, which are subject to the attribution conditions stipulated under the Incentive Scheme and can only be attributed and transferred after satisfactory with the attribution conditions
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Shanghai Jianhua”	Shanghai Jianhua Fine Biological Products Company Limited (上海建華精細生物製品有限公司), a wholly-owned subsidiary of the Company
“Shanghai Likangrui”	Shanghai Likangrui Biological Engineering Company Limited (上海利康瑞生物工程有限公同), a non-wholly-owned subsidiary of the Company
“Shanghai Qisheng”	Shanghai Qisheng Biologics Company Limited (上海其勝生物製劑有限公司), a wholly-owned subsidiary of the Company
“Share(s)”	A Share(s) and/or H Share(s)
“Shareholder(s)”	A Shareholder(s) and/or H Shareholder(s)
“Shenhao Eyehealth”	Shanghai Shenhao Eyehealth Technology Development Co., Ltd. (上海申昊目健科技發展有限公司), which became a non-wholly-owned subsidiary of the Company in March 2024
“SSE”	the Shanghai Stock Exchange
“STAR Market Listing Rules”	the Rules Governing the Listing of Securities on the Sci-Tech Innovation Board of the Shanghai Stock Exchange, as amended from time to time
“Supervisor(s)”	the member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“%”	per cent

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of certain terms used in this annual report in connection with us and our business. The terms and their meaning may not correspond to meanings or usage of these terms as used by others.

“anti-adhesion”	prevention of fibrous bands formed between tissues and adjacent tissues or organs resulted from injuries during a surgery
“chitosan” (幾丁糖)	a class of polysaccharide without acetyl group or with partial acetyl group, dissolvable in acidic conditions
“clinical trial”	a research study for validating or finding the therapeutic effects and side-effects of test drugs in order to determine the therapeutic value and safety of such drugs
“EDOF IOL”	Extended-depth-of-focus IOL product, a new type of IOL that can effectively solve the clinical needs of cataracts and various kinds of refractive errors
“EGF”	epidermal growth factor, is a polypeptide growth factor that stimulates epidermal and epithelial growth. It can promote growth of a wide of variety of cells in vivo and in vitro
“hemostasis”	the arrest of bleeding
“intraocular lens” or “IOL”	an artificial lens implanted in the eyes used to replace natural Lens and to treat cataracts or myopia
“medical chitosan”	normally carboxyl-methylated chitosan which can be dissolved in water, regulated by NMPA as a Class III medical device
“medical sodium hyaluronate gel” (醫用透明質酸鈉凝膠)	sodium hyaluronate gel solution used for the ophthalmic surgery or anti-adhesive surgery, regulated by NMPA as a Class III medical device



GLOSSARY OF TECHNICAL TERMS

“ophthalmic viscoelastic device” or “OVD”	viscoelastic sodium hyaluronate solution used in ophthalmic surgery. It can play the role of cushion to deepen the anterior chamber, which makes the operation convenient. It can also protect intraocular tissue and endothelial cell with improved success rate and reduced surgical complications. It is widely used in microsurgeries such as artificial contact lens implantation, penetrating keratoplasty surgery as well as ocular trauma
“Orthokeratology Lens”	a rigid gas permeable contact lenses for myopia control and vision correction function
“Phakic Refractive Lens” or “PRL”	a precise optical component that is surgically implanted into the eyes to achieve refractive correction
“sodium hyaluronate injection” (玻璃酸钠注射液)	sodium hyaluronate gel solution used for the intra-articular injection, regulated by NMPA as a prescription drug
“tissue filling”	a process to inject biomaterials under the skin and fill in the area